

MHAction

Manufactured Housing Action

AT THEIR MERCY: STRUGGLES OF RESIDENTS IN CORPORATE-OWNED MANUFACTURED HOME COMMUNITIES



DATE

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PREPARED BY

MHAction, A Project
of Tides Center

Executive Summary

Across the country, including in New York's 1,818 manufactured home communities ("MHCs"), groups of predatory real estate speculators have built a highly profitable business model by exploiting the vulnerability of manufactured/mobile home residents who own their homes, but rent the land underneath. Unlike responsible MHC owners, their business model relies on dramatically increasing lot rents (i.e., the rent residents pay for the land beneath their homes), adding fees, and minimizing maintenance to maximize profits.

Residents of owner-occupied manufactured housing tend to have lower incomes than owners of site-built homes. The median annual household income of manufactured housing homeowners is about \$40,000, half of the median annual income of site-built homeowners. More than one-fifth of manufactured housing homeowners earn less than \$20,000 annually, and over half earn less than \$50,000 annually. By contrast, about one-quarter of site-built homeowners earn less than \$50,000 annually.¹ As their primary source of income, of MHC residents nationally, 33% had retirement income/Social Security and 18% had disability income/Social Security.²

Currently,³ when planned increases to lot rent, fees, charges, assessments, and utilities combined (collectively included as "rent" in the law) are above 3% of current lot rent, current law states that the MHC owner can justify raising it up to 6% by claiming (a) Increases in the manufactured home park owner's operating expenses, (b) Increases in the manufactured home park owner's property taxes on the MHC, and (c) Increases in costs which are directly related to capital improvements in the MHC. However, MHC owners have not been providing specifics nor proving the increases with evidence, rather simply claiming the allowable reasons verbatim. If residents want to make the MHC owners show proof of their justifications, the residents must go through the expensive and arduous court process. Itemized written documentation and stronger enforcement mechanisms that take the burden off residents are necessary for current protections to fulfill their intended purpose.

Furthermore, providing a clearer pathway for community-friendly ownership models, like non-profit land trusts, public ownership, and resident co-operatives, to emerge is vital for the overall health of this important housing sector. New York needs to improve its MHC opportunity-to-purchase law, which would allow for the above-mentioned models to materialize when MHCs go on the market, or when an unsolicited offer is made to purchase them. This would help to prevent the national takeover of MHCs by giant, private equity, real estate speculators who raise rents, ignore residents, and fail to do basic maintenance.

Survey Highlights:

- 49% of respondents reported septic or sewage system maintenance issues in their communities.
- More than 80% of respondents live in communities which lack proper road maintenance.
- Over 44% of respondents reported issues with water quality in their communities.
- More than 60% of respondents reported community management/owners either never responded to general communications from residents or took 11 days or more to respond.
- More than 45% of respondents live in communities owned by Cook Properties.

Beyond illustrating the statistics above in the following report, the survey is grounded in the voices of MH residents, the struggles they face, and the policy recommendations that would allow for all families to have a safe and affordable place to call home.

¹ <https://www.fhfa.gov/PolicyProgramsResearch/Programs/Documents/FannieMae2022-24DTSPPlan-April2022.pdf>

² <https://www.manufacturedhousing.org/wp-content/uploads/2019/03/MHI-2018-Consumer-Research-Key-Findings.pdf>

³ <https://www.nysenate.gov/legislation/laws/RPP/233-B>

Introduction

To eliminate competition, the private equity (“PE”) real estate model is to make inflated offers on manufactured home communities far above the actual value. The only way for them to then make a profit on this land speculation scheme is by charging residents exorbitant rents and fees, and minimize maintenance to maximize profits. With the increased cost burden, families have less money to spend on necessities at local businesses like food, clothing, medicine, and recreation. Additionally, by not competing fairly, PE firms drive up already inflationary real estate prices for the entire community.

The reach of private equity is growing dramatically. Corporate investors, including PE landlords, made 28% of all single-family home purchases nationwide in the first quarter of 2022, up from 19% in the first quarter of 2021, according to the Harvard Joint Center for Housing Studies. According to CNBC, in certain markets, investors have raised rents by up to 39% over the last year.

In this document, MHAction resident leaders across New York’s manufactured home communities share their stories and present results of a survey MHAction conducted during the last quarter of 2022 on lot rent increases and community maintenance issues.

Methodology

Survey Context/Background

On June 28, 2022, the Committee on Financial Services of the US House of Representatives held a hearing on PE diminishing the supply of affordable housing. Based on the Committee’s survey and American Community Survey data, Committee Staff found that just the *five* largest owners of single-family residences:

- Grew significantly over the timespan of the three-year survey, with an aggregate 27% net growth of their housing stock between March 31, 2018, and September 30, 2021.
- Acquired homes through multiple channels, including the Multiple Listing Service, home foreclosure auctions, and by building homes to rent. However, they tended to sell homes primarily through bulk sales to other institutional investors, and very rarely sold homes to their own tenants or to individual homebuyers. The five companies purchased 21.9% of their homes through bulk sale, sold 61.5% of their homes through bulk sale, and sold 0.5% of their homes to their tenants.
- Made cash offers on homes by offering bonds and other financial instruments to investors to raise capital without needing to take out home mortgage loans to finance their purchases. The five companies offered an aggregate of \$24.7 billion in bonds and other financial instruments to investors during the survey period.
- Increased fees per lease per year by approximately 40% over the course of the survey period (i.e., \$147.20 in 2018 versus \$205.29 in 2021).
- Saw the total number of tenants behind on rent and fees increased by almost two-fold, with tenants with rental arrears increasing from 11.3% in 2018 to 19.1% in 2021, and the number of tenants with fee arrears increasing from 10% in 2018 to 20.7% in 2021.

The Committee also found these companies continued to file and complete evictions—confirming media reports that investor landlords filed and evicted tenants during the pandemic eviction moratorium.⁴

⁴ <https://www.congress.gov/117/chrq/CHRG-117hrg48334/CHRG-117hrg48334.pdf>

Survey Purpose

This survey was administered to get further insights into MHC management in New York State as related to rent increases, maintenance concerns, and community management's responsiveness. The information was collected to provide further justification for improvements to MHC resident protections.

Survey Target Population

This survey sought to investigate common issues faced by residents of MHCs across 5 regions of New York State, including the Hudson Valley, Capital Region, Western New York, North Country, and Long Island.

Survey Timing

Responses to the survey were accepted between October 22, 2022, and December 17, 2022.

Survey Data Collection

Sampling Strategy

The survey sample size was 105. Surveys were sent to residents of MHCs in New York State who had signed up for general communications from MHAction previously and invitations to participate were posted on MHAction's social media accounts.

Response Administration

The survey was self-administered. Respondents were asked to provide their name after the subject-matter questions.

Data Collection System

The survey was administered online through Google Forms.

Survey Language

The survey was administered in English and Spanish. Translations were created and reviewed by three MHAction staff members with native fluency in both languages.

Quality Management

All responses were confirmed to be from New York by reviewing responses and eliminating those from out of state. Further, when the same participant submitted more than one survey, only one of their submissions was used in the results.

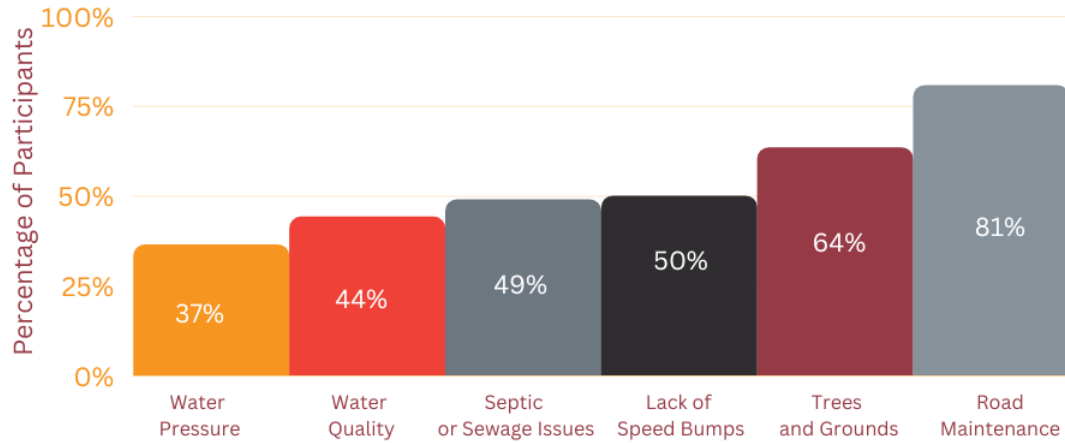
Financial Disclosures

Respondents were not compensated for their participation.

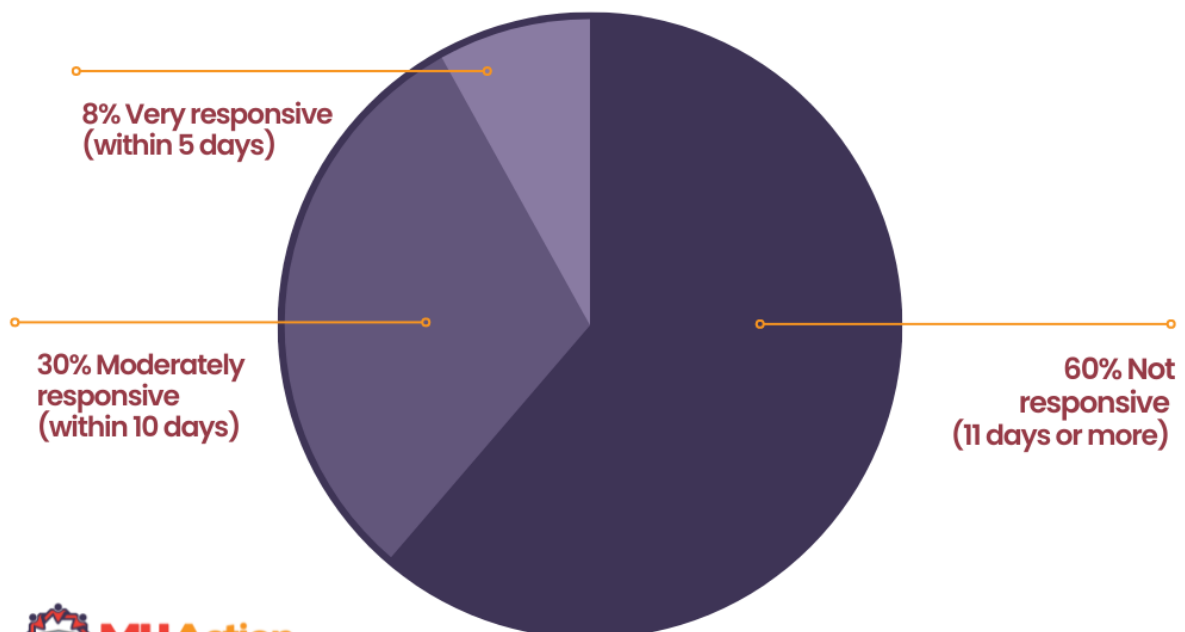
Survey Results

The survey consisted of four multiple-choice, subject-matter questions and four contact-information questions. Every multiple-choice question had a corresponding opportunity to write a custom answer as well as elaborate on its responses. Our New York State online survey found:

Leading Maintenance Issues in Manufactured Home Communities



How Responsive Management/Ownership is to Resident Concerns (Phone Calls, E-mails, etc.)



Who is the community owner?

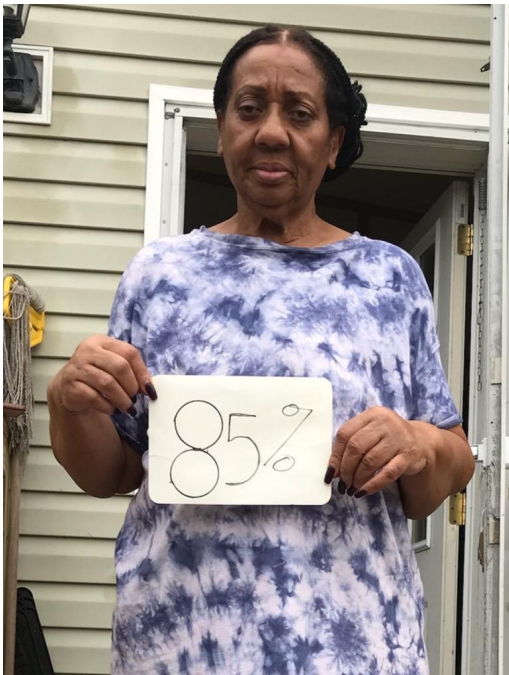
46% of respondents live in manufactured home communities owned by Cook Properties. As second and third most prevalent, 8% live in communities owned by RHP properties and 4% live in communities owned by Lakeshore Management. The other 42% of respondents live in a combination of 19 other entities.

What region do you live in?

55% of respondents reported that their manufactured home community is located in the region of Western New York. The second highest %age of responses, 15%, answered that they live in the Hudson Valley region. Nearly as many, 14%, of respondents live in the North Country. 7% of respondents live in the Capital Region. The remaining 9% lived in the other areas of New York.

How Unjustified and Continual Rent Increases Impact MHC Residents

Behind the numbers above, real people are struggling to keep up with paying rents that increase dramatically every year while maintenance on issues that provide health and safety to residents are ignored by community owners. This broken, unaccountable ownership system by predatory land speculators leaves behind real and lasting harm to cities and residents. For a home to be affordable, residents should not pay more than 30% of their monthly income for housing costs.⁵ As shown in the images below, New York's MHC residents pay much more than 30% for unacceptable housing conditions; these MHC residents are shown holding the %age of their monthly income that goes to housing. New York manufactured housing residents said the following about treatment by community owners:



We receive rent increases with no explanation or justification as to why. When we inquire about these outrageous increases, we're totally ignored. Because of this, families are left with no choice but to have other family members/friends live with them to help pay the lot rent.

Neither RHP Properties nor the previous owners have had any care about the residents of Spring Valley Village. RHP has been notified of the trees hanging over some of the residents' homes and the fear of them falling, yet RHP has done nothing but ignore us. After a storm in August of 2020, branches and trees fell, damaging two homes and destroying one home completely. Thankfully no one was hurt or killed.

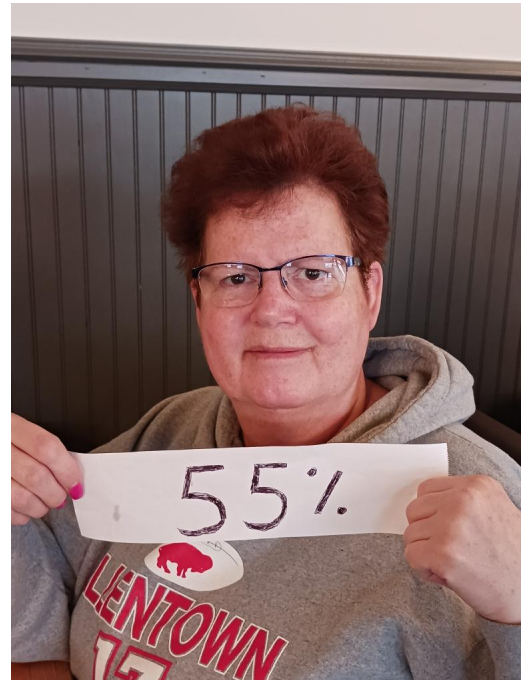
Ann Jenkins
Spring Valley Village
Nanuet, NY

⁵ <https://archives.hud.gov/local/nv/goodstories/2006-04-06glos.cfm>

I purchased my manufactured home because the lot rent was more reasonable than surrounding apartments. Since Cook Properties took over, lot rent has gone up drastically, our water bills have tripled, and we are now responsible for our own utilities, gas, electric, and even pet rent. When tenants call the landlord to question miscellaneous fees, we receive a lame excuse. These fees add up!

We have a lot of seniors living here, many of whom are disabled and live on fixed incomes. We would like to live in a community where water is not turned off without notice, where common areas are well-lit, and where we are treated with respect. It is sad to see greedy landlords who are happy to take our money without responsibility.

Susan Schmidle
Hamburg Mobile Home Park
Hamburg, NY



Years ago, Lakeshore was fined for their septic system. When there was a septic leak under my shed, Lakeshore's solution after I called was to put massive amounts of chlorine in it, without telling us ahead of time. Many of us were gagging while brushing our teeth. Some people said they never use bleach, but the laundry came out all spotted. My hair changed color. I got a shower filter, but it wasn't enough. A lot of us here are low income. It's just not fair. We should have clean water.

I fear they're going to try and find anything to give me a violation and evict me. I feel so vulnerable. I could lose everything. And there's been no communication.

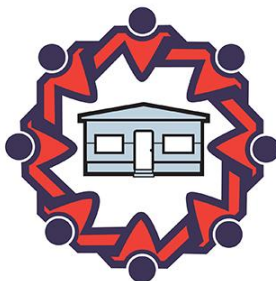
Jeanne Spontak
Candlestick Mobile Home Park
Newburgh, NY

Policy Recommendations

To remove the burden from vulnerable people and enforce the spirit of the current law, MHC owners should have to file their justifications for proposed rent increases above 3% with the Attorney General's Office or Homes and Community Renewal ("HCR") for an approval process which files justifications publicly, searchable by name of owner/business, MHC name, and justification categories so residents can keep the owner accountable and use the reviewing agency for enforcement.

Submitted itemized list should include whether those costs are categorized as lot rent, fees, charges, assessments, or utilities. They should also include timeline/dates for past and future costs as well as official documentation in cases of property taxes, accounting/budgeting documents for increased operating costs, and bids/invoices/pay stubs for capital improvements. Enforcement should also include penalties for false representations.

Furthermore, the circumstances under which the opportunity to purchase comes into effect should be broadened. Any time MHCs go on the market, or when an unsolicited offer is made to purchase one, residents and other entities like non-profit land trusts, public housing authorities, tribal governments, and resident co-operatives should have a reserved spot in the front of the line to make an offer. That would slow the national takeover of MHCs by giant, private equity, real estate speculators who raise rents, ignore residents, and fail to do basic maintenance.



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