



Manufactured Housing Cooperatives

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Organizational Profile

Manufactured Housing Cooperatives: Innovations in Wealth-Building and Permanent Affordability

Chelsea Catto

Across the United States, approximately 50,000 manufactured housing communities are home to nearly 3 million manufactured homes.¹ Yet widespread stigma, pressures to redevelop, and aging infrastructure have put this valuable source of affordable housing in jeopardy. In response, nonprofit affordable housing providers are partnering on an innovative approach to affordable homeownership—resident-owned manufactured housing cooperatives. Attracting homeowners who seek a creative and affordable alternative to stick-built housing, these cooperatives not only offer affordability, stability, and security—they also offer a ready-made community with intrinsic opportunities for wealth creation.

The concept of nonprofit cooperative ownership of manufactured housing communities is not a new one. What originally began as a New Hampshire Community Loan Fund² project in 1984 has now been replicated throughout the United States by ROC USA®, a nonprofit enterprise that offers training, networking, and financing to help owners of manufactured homes gain security through ownership of their communities.³ Paul Bradley, ROC USA's founding president, started the organization to help solve the three basic barriers to resident ownership: the opportunity for residents to purchase, access to expert technical assistance, and financing to help homeowners become buyers when their community is for sale. Launched in 2008, ROC USA trains nonprofit organizations from across the country as Certified Technical Assistance Providers in order to preserve affordable

1. *Housing & Home Ownership*, PROSPERITY NOW, <https://prosperitynow.org/topics/housing-homeownership>.

2. The Community Loan Fund was established in New Hampshire in 1983 and became one of the first Community Development Financial Institutions (CDFIs) in the United States; it is dedicated to providing financing and resources to individuals and families seeking access to affordable housing. New Hampshire Community Loan Fund, www.communityloanfund.org.

3. ROC USA®, www.rocusa.org.

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manufactured housing through resident-owned cooperatives. Nearly ten years later, ROC USA and its nine affiliates have converted 12,800 households in 206 communities across 14 states to resident ownership.⁴

This commentary provides an introduction to manufactured housing cooperatives as affordable housing vehicles and explores an innovative approach that, while not without its challenges and growing pains, has been successfully implemented nationally through a branded approach and in partnership with established nonprofits throughout the country. The discussion and insights in this commentary are based on CASA of Oregon's eleven-year history of work in manufactured housing cooperative development, including nearly ten years as a Certified Technical Assistance Provider with the ROC USA Network.

Oregon Snapshot

Founded in 1988, CASA of Oregon is a nonprofit dedicated to improving the lives of Oregonians in underserved communities by building affordable housing, neighborhood facilities, and programs that increase families' financial security. The organization began its foray into manufactured housing preservation in 2006 at the behest of John Van Landingham, a Eugene legal aid attorney who was searching for a solution to stem the tide of park closures. CASA went on to join the ROC USA Network at its inception in 2008. Since then, CASA has preserved twelve communities across Oregon, representing 790 households, as permanently affordable. The creation of a solid financial and legislative framework and support from key stakeholders at both the state and local level have significantly contributed to CASA's ability to implement this line of business effectively. Without these resources in place, achieving the scale of resident-owned conversions needed for program sustainability would be challenging.

The resident-owned cooperative model, which does not require high amounts of member equity, increases accessibility by allowing traditionally underserved populations to participate. By creating and providing ongoing support for manufactured housing cooperatives in Oregon, CASA focuses on the following goals:

- Make manufactured home buying and home ownership more like single-family residential ownership
- Provide residents with opportunities for appreciation in home values instead of depreciation
- Stabilize communities by securing the land tenure
- Improve the health and safety of manufactured housing communities by providing resources for upgrading or replacing dilapidated infrastructure and homes

4. Telephone Interview with Gary Faucher, National Training Manager, ROC USA Network.

- Long-term preservation of affordable housing
- Empower manufactured homeowners to effectively manage and operate their communities as small businesses
- Facilitate lasting connections and peer networks among resident-owned manufactured housing cooperatives in the region

In 2007, the Oregon Legislature responded to the alarming increase in park closures by passing legislation that allows manufactured housing residents to form manufactured dwelling park nonprofit cooperatives and convert their parks from investor-owned into resident-owned.⁵ Under this designation, resident-owned cooperatives are able to access affordable financing, including Oregon Affordable Housing Tax Credits,⁶ when available. Incentives to sell, such as a state capital gains tax exemption for park owners who sell to nonprofits, housing authorities, or resident-owned cooperatives,⁷ as well as recently improved Opportunity to Purchase legislation,⁸ enable resident cooperatives to compete with private investors. Income and park resale restrictions attached to tax credits and grant resources ensure that the funding is reaching those most in need and will be invested in housing that remains permanently affordable.

Considered one of the most important policy tools for improving the ability of manufactured homeowners to own and operate their manufactured housing parks, Opportunity to Purchase legislation requires manufactured housing park owners to notify residents of an intent to sell or if they receive an unsolicited offer to purchase. Not to be confused with a Right of First Refusal, which gives its holder the contractual right to enter into a business transaction with the owner, Opportunity to Purchase merely gives manufactured housing park residents a chance to compete to purchase the community, provided they follow a strict set of requirements outlined in statute. Before this notice requirement came into effect in Oregon, residents, whose homes are significantly impacted by the affordability and accessibility of the land upon which they sit, were oftentimes the last to know when their park was sold. As a result, they are often in a constant state of worry about a sale or closure and what that might mean for their lives. Yet very few states have Opportunity to Purchase or similar legislation—a situation that organizations like Prosperity Now, based in

5. OR. REV. STAT. §§ 62.800–62.815.

6. Oregon Affordable Housing Tax Credits can be used by lenders to buy down the interest rate offered to manufactured housing cooperative borrowers by 4 percent. *Oregon Affordable Housing Tax Credit Program (OAHTC)*, <http://www.oregon.gov/ohcs/pages/multifamily-housing-tax-credit-ohctc.aspx>.

7. OR. REV. STAT. § 317.401

8. OR. REV. STAT. §§ 90.800–840

Washington, D.C., aim to improve through advocacy campaigns and the dissemination of policy toolkits.⁹

Oregon's 1,073 manufactured home parks,¹⁰ equaling approximately 62,640 spaces, represent a large portion of the state's unsubsidized affordable housing stock.¹¹ True stability cannot be achieved, however, unless residents, through cooperative ownership, also control the land under their homes and have access to the resources to make significant infrastructure improvements. For many manufactured homeowners living in investor-owned parks, the danger of losing their housing asset is real. A significant number of manufactured homes in the communities where CASA of Oregon works cannot be moved on public roads to another location, nor are they structurally sound enough to make the journey. If rents are raised significantly or if the park is closed for redevelopment, homeowners often have no option but to abandon their homes, even if they still hold a loan on the property. This could quickly push them from being homeowners to becoming homeless.

According to Oregon Housing and Community Services data, 104 manufactured housing parks, representing 4,000 spaces and impacting nearly 6,800 people, closed between 2001 and 2015.¹² Andrée Tremoulet, Ph.D. studied manufactured housing communities in Oregon at the height of park closures between 2004 to 2007 and analyzed the trend. She found that park closures were significant, mainly because Oregon had more manufactured housing communities on the fringes of urbanized areas than many other states, and property values were going up dramatically. In the same study, she also mapped manufactured housing parks in Oregon and found that parks inside an urban growth boundary¹³ were more than 5 times as likely to close than those located outside an urban growth boundary after controlling for a county's growth rate.¹⁴ During the housing crisis, the number of closures slowed down. However, as the real

9. *Manufactured Housing Toolkit*, PROSPERITY NOW, <https://prosperitynow.org/manufactured-housing-toolkit>.

10. Oregon Housing and Community Services' Manufactured Communities Resource Center data.

11. While subsidies may be used for the purchase of land and infrastructure, there are no subsidies needed for ongoing operations. Moreover, to qualify for cooperative ownership, residents must own their own homes or be on a path to homeownership.

12. *Manufactured Housing: The Oregon Landscape*, STATE OF OREGON, www.oregon.gov/ohcs/OSHC/docs/HSC.../030317_HSC_Manufactured-Housing.pdf.

13. A land use planning line to control urban expansion onto farm and forest lands. *Urban Growth Boundary*, METRO, <http://www.oregonmetro.gov/urban-growth-boundary>.

14. Andrée Tremoulet, Policy Responses to the Closure of Manufactured Home Parks in Oregon (2010) (unpublished Ph.D. dissertation, Portland State University), at 150, <http://citeseerx.ist.psu.edu/viewdoc/download?doi=10.1.1.838.195&rep=rep1&type=pdf>.

estate market continues to gain momentum, particularly in the popular Portland market, park closures for redevelopment are on the rise again.

However, this phenomenon is not unique to Portland, especially when you consider that older manufactured housing parks in urban areas will face similar pressures in cities across the country due to three main factors: they represent lower density housing, which is typically not desirable in cities facing a lack of housing stock; many of them were built in commercial zones as a non-conforming use; and parks with deferred infrastructure maintenance and dilapidated homes are not desirable neighbors. Cooperative members at the West-Side Pines Cooperative in Bend, Oregon, purchased their community in 2012, just as the neighboring college campus looked to expand student housing. Odds are, had residents not successfully completed their purchase when they did, their park would have been closed to make way for campus expansion.¹⁵

Likewise, the Denver Meadows Mobile Home and RV Park, which borders the CU Anschutz Medical Campus and VA Medical Center in north Aurora, Colorado, is slated for closure within a year. The property will likely be snatched up by developers that can afford to pay a premium for land that will ultimately be converted to a highest and best use.¹⁶ Yet, because manufactured housing remains a critical source of affordable homeownership in jurisdictions that are committed to offering a wide range of housing choices, this scenario presents a conundrum: is a balance between low-density affordable manufactured housing homeownership and high-density affordable rental housing plausible? In cases where urban park owners choose to sell to residents or nonprofits, a city will have no choice but to embrace the balance.

Anticipating the likelihood of future park closures in a nearby unincorporated area, the City of Springfield, Oregon, reached out to manufactured housing stakeholders across the state to form a governor-sanctioned working group, Oregon Solutions.¹⁷ Charged with identifying replicable solutions and resources for manufactured housing park residents facing park closures, the collaborative produced a toolkit intended for use by a wide range of jurisdictions and municipalities. Released publicly in 2016, it is still too early to evaluate the effectiveness of the toolkit.

Stabilizing Communities

For Mary Lou Fitzgerald, a resident member of the Green Pastures Senior Cooperative in Redmond, Oregon, a resident-owned manufactured

15. *10-Acre Site Plan*, CASCADES (Oregon State Univ.), <http://osucascades.edu/feature-story/10-acre-site-plan>.

16. *The Denver Metro's Hunger for Housing Is Squeezing Mobile Home Parks*, COLORADO PUBLIC RADIO (May 23, 2017), <http://www.cpr.org/news/story/the-denver-metros-hunger-for-housing-is-squeezing-its-few-mobile-home-parks>.

17. *Springfield Manufactured Home Park Solutions Collaborative*, OREGON SOLUTIONS, <http://orsolutions.org/projects/ManufacturedHomeCollaborative>.

housing cooperative was a perfect option. It represents an ideal environment that is safe, peaceful, and secure. Fitzgerald said she values the sense of community and appreciates that while she can live independently, neighbors are close enough to look out for each other. This sentiment is echoed by many of the homeowners in the cooperatives that CASA and its partners support, particularly in 55-and-older communities.

As cooperative owners of their communities, manufactured housing cooperative members not only benefit from stabilized housing and affordability, they are also able to make significant health and safety improvements to existing infrastructure. Because they are formed as non-profit cooperatives, excess revenue from pad rents¹⁸ is reinvested back into the community. Moreover, the cooperatives are able to hire local contractors, keeping their investments truly local.

The Vida Lea Community Cooperative in Leaburg, Oregon, which was purchased by the resident cooperative in 2012, undertook extensive capital improvements that spanned two years and totaled over \$250,000. Dan Fountain, the Cooperative's first board president, beams with pride when describing their new and improved community. He notes that, upon resident purchase, the infrastructure was old and deteriorated. The resident cooperative replaced a 30-year old water system pump, upgraded the septic system, and added new septic tanks. This situation is all too common in many manufactured housing parks—particularly those built 50 to 60 years ago. Oftentimes, owners decide to sell rather than pay the high costs to upgrade infrastructure. Similarly, as parks age, so do the owners. A number of sales occur because aging owners are no longer able or willing to manage their investment, or because children who have inherited a property have no interest in owning and operating a manufactured housing park.

While the concept of cooperatives, particularly for housing, is more familiar on the East Coast, manufactured housing cooperatives represent an entirely unique approach to affordable housing. Whether in rural areas that face a dearth of housing, or in urban areas that are plagued by increasingly unaffordable housing costs, the preservation of manufactured housing is specifically identified in Oregon's Housing Goals.¹⁹ The creation of reliable affordable housing options through cooperative ownership gives families and individuals, particularly in rural areas, a chance to both live and work in their communities.

18. Since the land and infrastructure are owned cooperatively, cooperative members pay a premium to the cooperative for the manufactured home pad on which their manufactured home sits. They are entitled to this space through a 50-year lease; the premiums are used for operating expenses, reserves, and mortgage payments.

19. Goal 10: Housing, Oregon's Statewide Planning Goals & Guidelines, OR. ADMIN. R. 660-015-0000(10).

A Smaller Footprint

Dubbed as naturally occurring retirement communities, manufactured housing parks are particularly important sources of affordable housing for seniors, many of whom live on a fixed-income and who may gravitate to a homeownership option with a smaller footprint and an opportunity to age in place. Typically, a manufactured home is more manageable than a stick-built home for an elderly couple or a senior living alone. Living in a manufactured housing park affords residents the opportunity for homeownership without the additional responsibilities of extensive property upkeep.

For seniors, affordability can be as important a factor as livability when making housing choices. The average cost for an independent living facility in Oregon is \$2,100 a month. In contrast, space rents in resident-owned manufactured housing communities range from \$260 to \$680. And while some manufactured homeowners may also pay a mortgage on their home in addition to space rent, the total cost still adds up to much less. Most importantly, manufactured homeowners are just that—*homeowners*. The opportunity to own a manufactured home in a resident-owned community promotes asset appreciation when homes in a stabilized community become more sought after and can be resold for a higher price.

Furthermore, according to information gathered by Prosperity Now's I'M HOME Program,²⁰ the quality of manufactured housing has improved dramatically since the implementation of the 1976 HUD Code.²¹ Manufactured housing is constructed of the same materials as site-built housing and now has a comparable lifespan. With recent improvements in the production process, manufactured housing is one of the greenest forms of housing available. Compared to a typical HUD Code manufactured home, an Energy Star qualified manufactured home can save homeowners from \$190 to \$246 a year in average energy costs, or 24 percent to 29 percent of total heating and cooling costs.

Taking on the Challenge

For some manufactured homeowners, the idea of operating and managing their own community seems overwhelming. Many times, when residents discuss the idea of purchasing their community, their first reaction is to question their own ability to make it happen. Yet there is a wealth of knowledge and expertise that already exist in many communities, it may just take some guidance and encouragement for residents to realize that they have most of the tools at hand. This is where organizations like CASA play an important role. Much of the nationwide success of this housing model is attributed to the value of ongoing technical assistance

20. *10 Truths about Manufactured Housing*, PROSPERITY NOW, <https://prosperitynow.org/manufactured-housing-toolkit>.

21. National Manufactured Housing Construction and Safety Standards Act of 1974, 42 U.S.C. §§ 5401–5426.

that nonprofits like CASA of Oregon provide.²² So much so that lenders in Oregon now require technical assistance for the life of the loan as a condition of funding.

While they utilize a Board of Directors and member committees to manage infrastructure, operations, and common areas, resident-owned communities typically outsource much of the property management and the preparation of financial statements to avoid conflicts of interest and ensure operational efficiency. In fact, investments into these manufactured housing cooperatives have shown themselves to be prudent and sound. Not one of the now more than 200 resident-owned communities that received purchase assistance from the ROC USA Network since its founding in 2008 has failed, faced foreclosure, filed for bankruptcy, or sold its community. This is truly an astounding track record for a commercial real estate asset class, particularly one that is owned by low- and moderate-income homeowners operating democratically.²³

With long-term land security through cooperative ownership, manufactured homeowners have access to opportunities for appreciation in home values similar to those for single family residential ownership. A study by the Carsey Institute at the University of New Hampshire²⁴ demonstrated that individual homes in resident-owned communities often appreciate in value, thereby creating wealth-building opportunities for homeowners who are typically the most vulnerable. The twelve manufactured housing cooperative communities that CASA of Oregon supports through long-term technical assistance are experiencing low vacancy rates and have homes on the market for shorter amounts of time. Moreover, homeowners regularly receive offers above asking price due to the desirability of resident-owned cooperative living.

Operating as non-profit small businesses, the cooperatives receive business planning support so that they are able to control their own costs, a benefit that is directly passed on to residents through affordable space premiums and efficient operations. The cooperatives hire local contractors, with a focus on minority- and women-owned businesses, to both maintain their parks' infrastructure as well as carry out large capital improvements. This significant investment back into the community helps to stabilize the local economy. If the cooperatives were to fail, not only would the local economy be affected, but members would also lose their affordable housing options.

22. Nine Certified Technical Assistance Providers working in 21 states. *Network Affiliates*, ROC USA, <https://rocusa.org/about-roc-usa/network-affiliates/>.

23. Telephone Interview with Paul Bradley, President, ROC USA, LLP.

24. Sally Ward, Charlie French & Kelly Giraud, *Resident Ownership in New Hampshire's "Mobile Home Parks": A Report on Economic Outcomes* (Univ. of New Hampshire rev. 2010), <https://carsey.unh.edu/publication/resident-ownership-new-hampshires-mobile-home-parks-report-economic-outcomes-revised>.

The Future of Resident Ownership

For states other than New Hampshire, the manufactured housing resident ownership model is still relatively new and challenges remain. While the manufactured housing industry is evolving and innovative solutions are being developed, lenders have, for the most part, lagged behind, due in part to fallout from the financial crisis. One of the barriers to replacing unsafe or outdated manufactured homes continues to be affordable financing. Traditionally considered to be mobile personal property, manufactured homes often qualify only for high-priced “chattel”²⁵ loans versus real estate loans with more affordable rates. Affordable loans continue to be elusive for all manufactured homeowners, even those who are members of resident-owned communities with cooperative ownership of the land and long-term leases.

In addition, manufactured homeowners are susceptible to health and safety concerns not only from their own outdated or dilapidated homes, but also when a park’s infrastructure has been neglected. The cost of infrastructure improvements can be exorbitant, leading to high incidents of deferred maintenance in investor-owned parks. When residents purchase their communities, they are required by lenders to not only establish replacement reserves, but also to make all necessary infrastructure improvements, often within the first year of operation. Being able to identify grant resources to make these improvements has a significant impact on lowering acquisition costs, translating into the potential for reduced space premiums.

With the right resources and the right expertise, resident ownership of manufactured housing communities can be a viable and affordable option, particularly for seniors looking for an alternative to traditional, costlier, and sometimes more limiting retirement choices. For affordable housing providers, the primary development expense is centered on land and infrastructure, which results in a preservation cost per space, ranging between \$28,000 and \$72,000 to date in Oregon, that falls far below the cost of traditional new housing construction programs, with the extra-added benefit of homeownership preservation.²⁶ It is no wonder that affordable housing providers, as well as cities and states, across the country that are seeking creative ways to address their affordable housing challenges are becoming increasingly receptive to the idea of resident ownership of manufactured housing communities. A handful of forward thinking states, including Oregon, Washington, Minnesota, and Iowa, among others, have dedicated funding and resources to this non-traditional, yet impactful model. One hopes that it is only a matter of time before other states follow suit.

25. A loan arrangement in which an item of movable personal property is used as security for the loan. Loan rates typically mirror the high interest rates charged on credit cards. See <http://www.investopedia.com/terms/c/chattelmortgage.asp>.

26. Including capital improvements.

