



Ed Hicks

The Case For Land Lease Communities

Whether you call them trailer parks, mobile home parks, or the more accurate term Manufactured Home Land Lease Communities, since the early 40's they have played an important part in our Nations affordable housing. Initially they were a convenient source of low cost housing for factory workers during WWII, and after the war as alternative to

site built homes for low and moderate income housing needs.

Today they seem to be in demise. Or are they, and should they be?

With ever increasing difficulties in obtaining zoning and land use approvals from local governments, and the lack of viable chattel financing for home buyers, with the occasional exception of an age 55+age restricted community, there are virtually no new ones being built. And, those previously built in areas where population growth has encroached, encroached; they are often being dismantled for a higher and better land use. So in fact, the actual inventory of homesites/home sites available for leasing to residents for their homes is diminishing.

Reasons for the failure to obtain land use and zoning approvals range from perceptions by lawmakers of lower taxes generated on a given site when compared to site built housing, to perceptions of lowering neighborhood property values and mis-truths about wind safety and construction quality. None of these objections are valid, but perception is reality in the eyes of many politicians or their misguided appointees to planning commissions.

A well managed/well-managed investment grade manufactured home land lease community provides residents with many features not available in site built housing. First, residents are screened for previous violations of criminal laws and for any outstanding warrants. So, the likelihood of having a convicted child molester or drug dealer as a neighbor is minimized. Next, their credit and employment records are reviewed to assure management and their neighbors of their past history of financial responsibility, and ability to meet future obligations.

Once properly screened the must agree to a binding real property lease with it's associated community guidelines/guidelines for living which include rules and regulations for the benefit the management and for all community residents. A failure to meet financial obligations, properly maintain their home, or keep lease agreement terms and conditions results in first a warning, then the threat of eviction of their home and all residents which reside there, which may be at great expense. Most evictions are a non-judicial process whichprocess, which is generally easy and timely on behalf of management and the other community residents.

Residents/Resident's homes which are properly maintained in well managed communities generally continue to increase in value at about the same or higher rate than may be found in nearby similar site

built homes, provided adequate/adequate resale financing is available. In fact, in many seniors/seniors' age +age restricted communities, resale home values increase at even faster rates than those of surrounding site built residential properties.

The benefit to the residents is a safe, clean, well managed environment in which their families may comfortably live, often at a cost which is from 60% to 80% or less than for comparable area site built housing.

Yet, as this once popular destination for installation of their well constructed/well-constructed HUD code homes is disappearing, the demand may be springing up again.

Along with the possibility of lenders once again offering viable chattel home financing though the FHA Title I improvements recently passed by Congress, borrowers who once were relegated to the ranks of the sub-prime may be candidates for land lease communities. This because of three important features of the new legislation: a new loan higher limit of \$65,000 per home, which limit is now indexed to inflation, plus a loan by loan guarantee by FHA which is similar in structure to the Title II FHA loan programs. Through sale of loans on the secondary markets through GNMA, a lender can be assured of liquidity for properly underwritten loans.

And perhaps more importantly, the ability for a homeowner to get financing on the re-sale of their home through an FHA loan source. Without it, homes will continue to be sold at prices below that of new, and there will be a continuing perception of depreciating home values.

In recent years, chattel mortgage lenders have only offered shorter loan terms and higher interest rates to homeowners who wish to re-sell their homes. When a new home buyers/new home buyers find out lenders policies will only re-financed used homes for a much shorter term and at a higher interest rate, lowering the price may be the only option to sell. This has greatly contributed to perceptions of depreciating home values.

But how will this new community demand to be met? The first step will be to build and sell home products whichproducts, which may be used to fill the number of vacancies in existing communities to qualified home buyers/homebuyers. The next is to find viable home financing for new and used homes to be placed into m/h land lease communities. Perhaps the new Title I reform legislation will provide that.

I hope!



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