

# MHR

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To LLC, or Not to LLC - That is the Question

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... and much more!

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# Publisher's Letter

By Kurt D. Kelley, J.D.  
Publisher

Welcome to the first Quarterly Edition of the Manufactured Housing Review. The articles included are relevant, poignant, and tailored to appeal directly to those in the Manufactured Housing Industry. The topics include government power grabs, business management, legal issues, risk management operational tips, updates on Tiny Homes and sales information on Manufactured Home Communities. The authors include many prominent MH industry professionals, as well as other professionals in their field.

Special accolades got out to our national trade association, the Manufactured Housing Institute. For the first time in our memory, manufactured homes have been placed near the Capital. The homes are open to important constituent groups as well as the public. Way to go MHI! See their announcement enclosed for more detail.

We also address Senator Elizabeth Warren's attempt to gather private information from Manufactured Home Community

owners. New things surprise us each day, and the political world certainly is trending wackier, but it is a bad day when a government representative from another state demands your private business information.

*If you have news and information you'd like to share with the industry, you may submit it by email to [Staff@ManufacturedHousingReview.com](mailto:Staff@ManufacturedHousingReview.com) for publication consideration. Enjoy the June Quarterly edition. We look forward to your feedback.*



Kurt D. Kelley, J.D.  
Publisher  
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# CALENDAR OF EVENTS

<b>Arizona = Manufactured Housing Industry of Arizona - MHIA</b>	7/14-16 = Annual Convention and Golf Tournament
<b>Arkansas = Manufactured Housing Association - AMHA</b>	6/20 = Board Meeting 10/23-25 = Annual Meeting & Convention
<b>California = California Manufactured Housing Institute - CMHI</b>	6/13 = Board of Directors Meeting - Northern California Chapter 9/12 = Board of Directors Meeting - Southern California Chapter 12/5 = Annual Meeting & Open House
<b>California = California Mobilehome Parkowners Alliance - CMPHA - CMPA</b>	6/2-3 = Annual Parkowner Symposium
<b>California = Western Manufactured Housing Communities Association - WMA</b>	10/7-10 = Annual Convention
<b>Colorado = Rocky Mountain Home Association</b>	8/21-22 = Annual Meeting and Conference
<b>Connecticut = Connecticut Manufactured Housing Association - CMHA</b>	6/7 = Mid-Year Meeting & Lobster Fest 7/11 = Board Meeting 9/12 = Board Meeting 10/10 = Board Meeting 11/14 = Annual Meeting 12/12 = Board Meeting & Holiday Luncheon
<b>Delaware = First State Manufactured Housing Association - FSMHA</b>	9/12 = Annual Crab Fest 11/20 = Fall Membership Meeting
<b>Indiana = Indiana Manufactured Housing Association - IMHA-RVIC</b>	6/13 = Bob Young, Sr. Memorial Golf Outing 6/17-18 = MH FacTOURy Summit
<b>Kansas = Kansas Manufactured Housing Association - KMHA</b>	6/6 = Spring Event
	9/18-19 = Annual Meeting and Golf Tournament
<b>Kentucky = Kentucky Manufactured Housing Institute - KMHI</b>	6/12-14 = Annual Conference
<b>Manufactured Housing Institute - MHI</b>	6/3-4 = Homes on the Hill Summer Legislative Fly-In 8/14-16 = NCC Western Summit 9/22-24 = Annual Meeting 11/13-15 = NCC Fall Leadership Forum 2/16-18 = 2020 Winter Meeting 4/6-8 = Congress & Expo
<b>Michigan = Michigan Manufactured Housing Association - MMHA</b>	6/20 = Tim DeWitt Harvest Golf Outing 6/26 = Legal Symposium 10/10 = Annual Conference
<b>Minnesota = Manufactured &amp; Modular Home Association of Minnesota - MMHA</b>	6/4-5 = Spring Conference 12/10-11 = Annual Meeting
<b>Mississippi = Mississippi Manufactured Housing Association - MSMMHA</b>	6/10 = Association Supervisor Annual Meeting 6/24 = Municipal League Annual Conference 7/27 = Multi-State Convention
<b>Montana = Montana Manufactured Housing &amp; RV Association - MMH&amp;RV</b>	9/10-12 = Five State Convention
<b>National Association Residential Property Managers - NARPM</b>	6/20-21 Board Meeting 8/22 = Board Meeting 10/15-18 = Annual Convention 12/19 = Board Meeting
<b>Nevada = Western Manufactured Housing Communities Association - WMA</b>	10/7-10 = Convention and Expo

## CALENDAR OF EVENTS CONT.

<b>New Jersey = New Jersey Manufactured Housing Association - NJMHA</b>	6/17 = Golf Outing 7/18 = Board Meeting 9/19 = Annual Meeting
<b>New Mexico = New Mexico Manufactured Housing Association - NMMHA</b>	6/9-11 = Annual Convention
<b>North Carolina = North Carolina Manufactured &amp; Modular Homebuilders Association - NCMHA</b>	6/12-13 = Annual Meeting 10/17-27 = Display Homes at State Fair
<b>Ohio = Ohio Manufactured Housing Association</b>	6/17 = Golf Outing 8/16 = Community Management Training
<b>Oklahoma = Manufactured Housing Association of Oklahoma - MHAO</b>	6/18-19 = Annual Membership Convention
<b>Oregon = Oregon Manufactured Housing Association - OMHA</b>	6/13 = Board Meeting 8/14 = Annual Golf Tournament 10/16 = Board Meeting 11/14 = Annual Meeting
<b>Oregon = Manufactured Housing Communities of Oregon - MHCO</b>	6/19 = Community Management Seminar
<b>Pennsylvania = Pennsylvania Manufactured Housing Association - PMHA</b>	6/27 = PMH PAC Golf Outing 10/22-24 = Advanced Community Management Course 2 11/14 = Community Symposium
<b>South Carolina = Manufactured Housing Institute of South Carolina</b>	7/17-19 = Annual Convention
<b>Southeast Community Owners Symposium - SECO</b>	10/8-10 = SECO19
<b>Tennessee = Tennessee Housing Association - TNMHA</b>	6/2-4 = Board Meeting
<b>Texas = Texas Manufactured Housing Association - TMHA</b>	06 = Third Quarter Board Meeting 9/8 = TMHA Convention 9/10 = Q4 Board Meeting
<b>Washington = Manufactured Housing Community of Washington - MHCW</b>	7/17 = Board Meeting 10/16 Board Meeting
<b>West Virginia = West Virginia Housing Institute, Inc. - WVHI</b>	6/17-19 = Annual Convention
<b>Wisconsin = Wisconsin Housing Alliance - WHA</b>	8/14 = Manufactured Housing Community Boot Camp Seminar 11/6-7 = Annual Conference

To have your event noted, please email [Staff@ManufacturedHousingReview.com](mailto:Staff@ManufacturedHousingReview.com)

In a letter dated May 28th, 2019 and directed to multiple manufactured home community (MHC) portfolio owners, Massachusetts Senator Elizabeth Warren alleges that larger MHC portfolio owners are raising rents to the detriment of MHC tenants. The letter states,

*"Investment Companies are attracted to MHC's, in large part, because MHC's are a 'stable source(s) of revenue, including during economic downturns. This stability stems from residents' lack of economic mobility.... MHC residents' lack of economic mobility also makes them vulnerable to exploitation - and investment firms often engage in predatory management practices that boost profits at the expense of manufactured home owners."*

Warren's letter goes on to allege the following about MHC tenants, "Unable to afford moving, and unable to sell their manufactured homes, some residents report that they are forced to choose between paying for increased housing costs and ... food, medicine..." Warren doesn't acknowledge in her letter that every MHC tenant chose to live in an MHC over every other housing option they had, that far less MHC living is not government subsidized versus apartment living, nor does she cite even one example of any tenant forced to live in an MHC.

The letter from Warren goes on to demand intimate private business information about the MHC owners' operations and financial statements. Such information requested includes:

- # of home sites,
- # occupied home sites,
- # residents, median income of residents,
- average lot rents prior to acquisition and after acquisition,
- # times rents were raised,
- rationale for raising rents,
- # tenants evicted, total rent collected for the past five years,
- total fees collected for the past five years,
- copies of tenant behavioral restrictions (aka park rules),
- and list of profits reported for each owned community.

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### SENATOR WARREN ON WARPATH AGAINST AFFORDABLE HOUSING PROVIDERS



Senator Warren states: "To help me better understand the management practices that your company engages in, and the impact of those practices on the MHCs it owns, please provide answers to the following questions no later than June 18, 2019."

For each community, please provide the following information:  
The number of mobile home sites;  
The number of occupied mobile home sites;  
The total number of community residents; and  
The average and median income of the community residents.  
What was the average lot rent for residents in the last full calendar year the day...

Warren's letter is not limited in distribution to either MHC's owned in Massachusetts or owners who reside in Massachusetts. While no law prevents Warren from asking for this private information, it's equally true that no law requires any owner to provide her with the requested information even though she signed the letter in her capacity as "United States Senator." Possibly the best course of action in answering such an inquiry for private information is to refer it to your home state Senator(s).

While giving lip service over the years to the benefits of a Capitalistic Economic System, many of Warren's actions reveal hostility toward such. This is in spite of those states with fewer land use restrictions and rent control laws having lower rents and better affordable housing availability than those states with more land use restrictions and rent control laws. As of the writing of this column, the Manufactured Housing Review staff has received no comment from any of the MHC owners to whom the letter was directed whether they intend to reply, and if so, to what extent. Warren concludes her note with a demand to receive the requested information by June 18th, 2019.

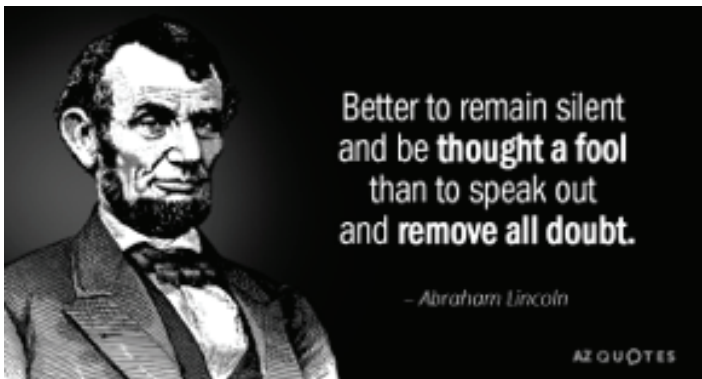
# We Are Trending: Be Prepared with MHP Talking Points for Local, State, and Federal Legislators

By Joanne Stevens

April 2019 might very well take the prize for mobile home park reporting in Iowa. In the space of a few weeks, there has been multiple newspaper, TV reports, social media posts, and new Facebook groups, all of who, are weighing in on rent increases from new mobile home park owners. What has happened in Iowa, has happened before and could happen anywhere. Several parks were sold (almost simultaneously). The new owners bought the parks because the lot rents were averaging \$200 below market. Upon closing, the MHP residents received the standard state-mandated 60-day notice for a rent increase, a significant one but still under the market rent.

Naturally, some of the tenants called City Hall, the newspapers, and State & Federal legislators. What happened next is a commentary on how woefully unprepared the MH & MHP Industry is to make the case for the essential role mobile homes & parks provide in the low-cost housing landscape. Tenants, the media and legislators unleashed their outrage against rent increases and MHP owners.

The question now is do we allow ourselves to be targets for the outrage or we can be a resource for the media, law-makers (\*at all levels) and even, residents?



Mobile home park owners are portrayed as the quintessential 'money mongers', heartless, and constantly trying to evict the tenants, like a character out of Upton Sinclair's *The Jungle*. And much like the media in 1904 reacted to *The Jungle*, the media sticks to this emotional and dramatic storyline, to the point of ignoring or outright eschewing the actual facts. Tight deadlines and the need for insta-news, means reporters have scant time to do the research needed to create an informed basis from which to write. Legislators, including a Congressman, made statements, or held press conferences, about the tenants not able to afford the rent increases, all based on tenant-made statements that were not accurate, and occasionally outright false. They ought to keep in mind

what the great legislator, Abraham Lincoln said about *"Better to remain silent and thought a fool, than to speak and remove all doubt"*.

Act 1 was the conflict set up, the 'villains' threatening the poor, poor tenants. Act 2 was the good fight, activist montage with the tenants as the heroes. So, what does Act 3 hold? Nothing.

The Iowa State Legislature, right before adjourning the 2019 legislative session proposed some mild changes to the MHP Landlord Tenant Law such as an additional 120 days (180 days total) to notify tenants of a rent increase, from the current 60-day notice. Also, under the current law, both tenants and landlords may terminate a lease with a 60-day notice without providing cause. The proposed change is to allow tenants to keep this right, while requiring all landlords to provide 'good cause' as defined by the bill. Good news? This bill was shelved before the end of the legislative session, where (unless revived in the 2020 session) it will die a quiet death.

And if like a good horror movie, it rises from the dead after the credit roll.... It doesn't affect the landlords very much. For example, the 'Good Cause' eviction; do legislators really believe that landlord willy-nilly evict tenants? Anyone who has processed an eviction knows that even with a no-cause eviction, the judge is going to ask why. So why have it? Because it allows landlords to give the tenants a graceful out, that doesn't show on the records and adversely affect the tenants' ability to contract a new lease with a different landlord. As for rent increases, most landlords know how much and when they will raise rents more than 180 days in advance; expect to see bi-annual raises if this bill ever passes. Landlords will adjust and it will be business as usual for them.



## We Are Trending Cont.



So when can we expect the sequel and which state/city will it be? Will it get its own segment follow up on John Oliver? We need to own the MHP story. We, as an industry, need to communicate the facts and use every interaction as a change to educate our communities, the media, and our legislators to the value we offer. It is not just the state or federal associations that need to do this, but everyone associated with the industry. We need to be our own grass-roots movement. We

need to stop letting City department heads, law enforcement, and the media make us easy targets for blackeyes, when it's a slow news day. Never assume someone knows something. Even something that seems basic to you, is a completely new thought to someone else.

Almost every week, local news sources have stories about the need for and the dearth of affordable housing. Yet, somehow, mobile home parks are not on the radar of many cities, non-profits, law-makers, or renters, as a solution or even an option. Public or private, many organizations that endeavor to promote affordable housing for those in need, rarely have mobile homes and mobile home parks on their list of possible low-cost housing solutions.

Be prepared to speak or present to any consumer, official, legislator or media outlet, the benefits of mobile homes and mobile home parks. Email [joannestevens@iowarealty.com](mailto:joannestevens@iowarealty.com) for a word document of the below points. Add your own ideas and experiences on dealing with the public. I live in Iowa, so many of my examples pull from my local news, but this topic is universal to any and all markets.

## Mobile Homes and Housing Insecurity: Sharable Facts About the MHP Rental Rates, Mobile Home Costs, And Mobile Home Park Operations



Over 22 million Americans live in mobile homes. These mobile homes are built in factories and to a federal building code, overseen by HUD.

### Mobile Home Costs:

A new mobile home cost \$54 to \$65 per square foot, turnkey. A new home site built can cost \$200+ per square foot. Not only are mobile homes built to the same (if not better) standard as

site built, they are installed to a federally mandated standard as well, with strict installation regulations. Mobile homes are a well built, safe, affordable housing solution to the growing problem of America's Housing Crisis.

### Housing Insecurity and Mobile Homes:

Housing Insecurity is defined as having housing cost exceed 33% of one's monthly household income. For example, mobile



## We Are Trending Cont.

homes lot rents in the Des Moines market range from \$435-\$595. For a mobile home household to be housing secure, the household would need a monthly household income at or above \$1,300-\$1,800 per month. Or an annual household income of \$15,660-\$21,420 per year. Mobile homes and mobile home lot rent is an important part of the affordable housing puzzle because these are the households that need housing.

### Mobile Home Construction:

On the rare instance that a member of the media, a legislator, or public official, researches or even tours a mobile home park or mobile home, they are, in their own words, "surprised" to learn that these homes are built to a federal HUD code equal to and sometimes surpass the local building code of site built homes. These factory homes are built with the same materials, such as vinyl or steel siding, shingle roofs, double hung vinyl windows, and major (energy star) brand appliances. Everything in the home is quality from the HVAC system to the plumbing fixtures. Sadly, very few, if any, legislators and government officials have ever been to a mobile home park, or been inside a mobile home, much less gone to tour a manufacturing plant.



The City was silent on the potential relocation of the tenants. Cities usually require private real estate developers to have a relocation plan and for the developer to pay for the moving of the home before allowing redevelopment.

### Do what we say, not what we do:

In other government action, HUD is proposing that poor apartment tenants pay more of their income towards rent to continue to receive their rent subsidy. Private landlords aren't the only ones going for rent increases. The Federal government says that this will 'encourage' the rent-subsidized tenants to work more and not depend as much on the government.



### Cities and the battle for Zoning:

Cities won't provide zoning or try to shut down parks. In 2017, the Iowa Supreme Court ruled against the City of Des Moines in a case concerning a mobile home park's zoning. The City sued to close a mobile home park. Some members of the city government believed that there was a "higher and better use" for the property than the owner's use as a mobile home park. The Iowa Supreme Court ruled against the City. The community was mostly Hispanic and many of the residents might have been homeless if the City had forced the closing the property.



### Law of Supply & Demand:

The crux of the lot rent question is supply & demand. In growing markets, like Iowa City and Des Moines, there is not enough low-cost affordable housing units for the growing population. (This could be said of any metro market.) In a 2019 Des Moines Register article, it was reported that Des

## We Are Trending Cont.

Moines would need 11,000+ additional affordable housing units. Mobile Home Parks could provide many of those needed units. The problem that currently stops MHP owners from building new parks or expanding their parks is that the zoning and building permits are nearly impossible to get, so new parks don't get built. As demand for mobile home lots increases, there is a flat supply of lots, and a dwindling percent of these are vacant lots, ready for new homes. The rising demand causes rising lot rents.

Iowa has experienced and knowledgeable MHP operators with the financial ability to build new parks. Mobile home parks have no government subsidy, roads are privately maintained, and parks generate both property taxes on the real estate (the park) and on personal property (the individual homes). So why if demand exists, financing is readily available, and it would serve the common good, are new parks not being built? Simple. Local City Councils won't approve zoning. Lawmakers (at all levels) understand one thing. There is no political capital in voting to zone a new mobile home park. They are afraid of losing votes and the heat from the media that a vote that favors mobile home parks brings.

The sad commentary is, in the State of Iowa, the denial of more MHP zoning is like the 1960's Civil Rights Movement. The discrimination is clear, the prejudice undeniable. What is government for if not to promote and legislate for the common good, especially on behalf of those who are low income and need affordable housing. Too many embrace the slogan of NIMBY: Not in My Backyard, and deny to those they find undesirable, an affordable place to live.

If the government is truly concerned about rising MHP lot rents, then the legislation needed is not to set limits on parks, thereby further limiting and even eliminating mobile homes from the affordable housing unit pool. The answer is on the front end; more affordable housing units, as in more mobile homes, and more mobile home parks. Greater supply creates competition for tenants. It is Economics 101.

If more parks are built, then there is more housing for the low income, the elderly and the disabled. More households will have homes and experience the benefits physically, financially and emotionally of feeling secure as home owners or renters. Mobile home parks are an affordable housing solution that does not require government financial support. The local businesses will benefit because the workforce will live in the communities instead of commuting long distances.

### **Subsidized Housing:**

Des Moines voted in 2019 to subsidize new apartment construction at the Merle Hay Mall. As retail (d)evolves,



with more people shopping online each year, malls are a dying. They struggle to exist. The City of Des Moines recently approved \$2.5 million in funding for Merle Hay Mall revitalization including 43 new apartment units, of which only a fraction will be deemed affordable housing.

The MHP buyer, a private investment company, has stated that they will invest \$1 million in new roads, playgrounds and other capital improvements in 2019 in their Midwest Country Estates property. And they will be adding 20 new homes, of which all will be affordable housing units. The cost to the City of Waukee: zero.

If the City of Waukee is truly concerned about the rising rents and the lack of affordable housing units, perhaps the City or the State should extend subsidies to mobile home parks in equal measure as they do to other multifamily projects and real estate development projects.

Waukee, Dallas County and the state of Iowa spent (or abated) almost \$210 million dollars to make the Apple deal a reality, including \$6 million paid for by Waukee to hook up the water and sewer from the build site to the city utilities. Maybe Waukee would like to give the buyer a million-dollar subsidy for road and infrastructure improvements and help keep those contested rents down.



# We Are Trending cont.

## Mobile Home Park Operations:

Few people realize that a mobile home park is like its own town. Each year there are streets, water lines & mains, and sewer lines & mains, that are repaired and/or replaced by the park owner. There is snow to be removed, trash to be collected and trees to be trimmed. Anything that a public works department does for a town or city, a park owner must do for their residents. The difference? The tax payers fund the public works and the MHP rent funds the park's infrastructure.

These operational costs are expensive and are a significant component of the rent charged. Due to the aging nature of infrastructure in the United States, and the ever-increasing construction costs and limited pool of skilled laborers, is it any wonder that the cost to repair, replace or maintain basic infrastructure like water lines, sewer lines, or streets, has gone up?

## 2019 Des Moines Rent Survey:

Five hundred (\$500) dollars is the new rent for Midwest Country Estates in Waukee, up from \$320. From the 2018 rent survey, \$500 is below the market, for a nice mobile home park in a desirable location. Maybe the real question is how did the MCE tenants have under market rent for a such long time and why are they so angry that they are being asked to pay fair market rent now?

- Midwest Country Estates, Waukee: \$500\*(new)
- Autumn Ridge, Ankeny: \$596\*
- Country Club Crossing, Altoona: \$575\*
- Ewing Terrace, Des Moines: \$575\*
- Park View Village, Grimes: \$460\*
- Four-star avg. for Des Moines MHCs: \$552\*

\*Tenants pay all utilities.

## Mobile Homes Don't Depreciate Value (like a car)!

Please can we stop repeating this myth? It is an urban legend that holds no basis in actual data. No one currently tracks mobile home resale values. We do at our local communities and create our own mini-MLS. Price trends for mobile homes, generally run parallel to traditional residential real estate. If it's a good market with higher prices and limited stock, then mobile homes will sell for more. If it's a buyer's market for site built, then that will correlate to mobile homes too. Prices have more to do with neighborhoods, job growth, wages, availability of financing, and household formation trends. Residential real estate doesn't go up every year in value, and if not maintained, can lose value pretty quickly. Mobile Homes are no different. I recommend reading Mark Simpson's How do Manufactured Homes Depreciate?



## WHAT IS YOUR PARK WORTH?

I am always happy to do a FREE, NO OBLIGATION, Real Estate Review for your park(s). You ought to know today's market value of your real estate investments.

If this is something you would like, simply give me a call at 319-378-6786, email me at joannestevens@iowarealty.com, or visit <http://joannemstevens.com/>

Joanne Stevens is a specialist in listing and selling mobile home parks and manufactured housing communities throughout the U.S. With her 20 plus years of experience in developing, zoning, owning, retailing, managing, turning around and brokering parks, she can maximize your sale price.



Joanne Stevens is a national Mobile Home Park broker. Sign up for her free industry E-newsletter at [www.joannemstevens.com](http://www.joannemstevens.com). To request a mailed copy of her newsletter, contact Joanne at: [joannestevens@iowarealty.com](mailto:joannestevens@iowarealty.com) M: 319-310-0641 / O: 319-378-6786



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# Tips When Buying Multiple Mobile Homes Directly from a Local Mobile Home Park

By John Fedro

Throughout your mobile home investing career, you will almost certainly be presented with an option to purchase multiple mobile homes from a specific community that you may or may not already be working within. Some immediate pros and cons to consider are:

- Purchasing multiple properties may likely lead to multiple profit streams.
- Making the park owner's life easier by outsourcing some rehabs and sales to you is a good thing.
- Building more of a relationship with a local mobile home community to be their go-to investor connection.
- Purchasing multiple properties will likely require a fair amount of time, energy, and money to repair, market, and resell.
- Potentially biting off more than you can chew (and losing money) when it comes to repairs, holding cost, and/or experience.

In this article, we'll be discussing some of the steps needed when considering buying multiple mobile homes directly from a mobile home park.

**Disclaimer:** In this article, we will be discussing purchasing mobile homes directly from the mobile home community itself, with the intention of fixing and keeping the homes inside the park. In this article, we will not be talking much about purchasing multiple mobile homes directly from another investor or private seller. Both these situations ideally require a bit of a different mindset and will be discussed in a future article/video.

## First things first, how would you find an opportunity with multiple mobile homes for sale from a park?

As an active mobile home investor do not expect there to be parks regularly selling multiple mobile homes at any given time in your area. This is not reality. Only seldom will parks have multiple properties for sale due to a variety of reasons. In these situations, the park owner or management may directly reach out to you if you are already investing in mobile homes within the community. You may also be able to find multiple mobile homes for sale on classified sites (local and nationwide), see the example below from Craigslist.

**Pro Tip:** The homes in the advertisement above are likely not worth the \$500 the owner is asking. However, that doesn't mean a deal isn't possible. Do not take on more than you can handle. In the beginning of your investing career it may be wise to focus on the quality of homes and not the quantity. Additionally, aim to purchase and resell at least one mobile



home in a community before investing in multiple within the same community.

## Steps when buying multiple mobile homes directly from a mobile home park.

1. Aim to quickly understand what responsibilities the park owner/managers want from you?

This step should not take longer than 30-90 seconds when first speaking with the mobile home park manager/owner that has multiple properties for sale. A few common scenarios you may run into are...

- **Scenario A:** The mobile home park requires all (or some) of the homes in question to be purchased by you, rehabbed to your liking, and resold (or rented) to park approved residents that keep their homes in the community. These managers also expect lot rent to be paid on time monthly without excuses.
- **Scenario B:** The mobile home park manager requires all the homes in question to be purchased by you and removed from the park at your expense.
- **Scenario C:** The mobile home park is interested in working with you in another way depending on the park's specific homes, needs, wants, and goals.

**Disclaimer:** This article is not discussing situations where a park is simply selling multiple mobile homes at retail prices by an unmotivated park owner. This article is discussing purchasing multiple mobile homes from a park at discounted prices because the homes likely need some rehab, the park needs help and wants to work with a proactive, low-risk, and serious investor that has the same vision to clean/fix homes, pay lot rent, and resell them to park approved buyers.

2. Which homes does the park want to sell? Choose one or two very realistic and profitable exit strategies?

## Tips When Buying Multiple Mobile Homes Directly from a Local Mobile Home Park Cont.

Once you understand how/if you may help the mobile home park, and if you want to, it is important to understand exactly what the mobile home park has for sale. If you have not seen the homes for sale in person or via pictures, it is important to have the park manager/owner verbally tell you more about the mobile homes for sale, ages, sizes, repairs needed, time vacant, experience in the area, etc.

Before going any further, we want to understand if this is an opportunity we should put more time and energy into. Consider asking over the phone...

- How big are these homes?
- How many bedrooms do they have?
- How many homes are included?
- Roughly how old are these homes?
- Roughly how many repairs are needed?
- Are they vacant? How long have they been vacant?
- Are you able to keep the homes in the park or do they have to be removed?
- How much can you rent and/or resell each of these mobile homes for via cash or payments?
- What is the current lot rent in the park?
- What are park rules and criteria?
- What is the local demand in the area? How much are renters and buyers realistically paying?

**Disclaimer:** As an active mobile home investor, it is one of your goals to understand your marketplace and know what all shapes and sizes of mobile homes sell and rent for in and around your local market.

Moving forward? If you feel there is substantial profit to be made then proceed forward building a relationship and learning more about these homes in order to make purchase offers soon.

### 3. Inspect all the mobile homes for sale & crunch the data.

In this step of the process you will ideally be physically inspecting all of the mobile homes for sale as well as thoroughly going through the local marketplace to confirm your desired exit strategy. While walking through these properties aim to:

- Thoroughly walk through every mobile home you are interested in making an offer on with a flashlight. Take many pictures or videos to help you further understand repairs needed.

- Speak with other mobile home owners in the community if possible to understand if residents are happy with the park/management, or if there are hidden problems with the community.
- Ask the park owner or management if there are any requirements or suggested fixes they see needed to the outside or inside of each home in question. Be aware that a very picky and/or overbearing park manager may not likely be the ideal relationship to get involved with.

**Pro Tip:** If you have not purchased and resold a mobile home inside this community already, then you are simply trusting that the park management/owner will not change their attitude after you purchase the home and make it difficult for you to rent or resell the property. For this reason, it may be wise to only purchase multiple mobile homes from parks you have already successfully purchased and resold at least 1 mobile home within.

### Crunching the numbers?

It is important to first understand the resale price/terms for each home when you resell, and the profit you wish to create with each of these mobile homes. How much profit is needed for each deal to be worth your time? This will be different for each investor reading these words. For this author concerning most mobile homes, I want to make sure I recoup my invested capital within 6-12 months or less, create a net cash flow of \$300+ per month, and sell for at least 60 months of incoming payments. Your financial goals inside parks may be different.

Once you understand the resale value and your desired profit, then you can work our way backwards to determine your maximum allowable offer for these multiple mobile homes. While working backwards from our desired expected profit, things we want to consider are:

- Rehab costs? (Which repairs should be made?)
- Holding costs? (Are there any? Which may be reduced or eliminated?)
- The mobile home park's application process for new residents.
- Permits needed?
- Inspections needed?
- Time of the year.
- Verify local buyer demand for these sizes and ages of mobile homes.
- What else is currently for sale in the community? And for what price/terms?

## Tips When Buying Multiple Mobile Homes Directly from a Local Mobile Home Park Cont.

- Is discounted or free lot rent available moving forward?
- Will the owner of the park allow you to have any equitable ownership interest in the park?
- Can the homes stay in the community or do I need to move them?
- Do you trust this community and owner?
- Will future homes be available to fix up and continue helping the community?
- Is moving in future additional homes a benefit to this community?
- Does the state offer any incentive or repair programs to fix up or improve these homes or the community?
- Communicating with city officials to understand parks status within the community and the local crime rate.
- Plus, likely much more depending on the specific opportunity and homes available.

As you are going through the bullet points above you are acting as a detective. We are aiming to uncover various scenarios and situations that could be harmful to us and make sure we position ourselves 100% safe after proper due diligence.

Expenses (there are many, some flexible some not) - Income (all-cash or payments) = Profit

**Pro Tip:** Aim to offset every 1 unique risk with 1 precaution offsetting that unique risk. See examples below.

The Pro Tip above is insinuating that for every expense or cost an investor is going to have into a mobile home, there should be an equal profit or reward the investor is going to receive upon selling the mobile home. Here are 3 examples.

**Risk:** A mobile home has been sitting vacant for an unknown number of months. (In some areas if the electricity or water has been shut off for longer than 6 or 12 months an inspection may be needed from the utility companies prior to utilities being reinstated. If this inspection goes badly there may be significant costs in bringing the home up to current codes.)

**Precaution:** Sales of these specific homes are contingent upon first passing inspection from the utility company to have power turned back on. (If there are issues with a future inspection, these risks should be compensated for as well.)

**Risk:** The park is asking too much money for the mobile homes due to significant updates and repairs being needed.

**Precaution:** Start by 1.) reducing the purchase price you offer on the mobile homes and 2.) asking for free lot rent while the

mobile homes are being rehabbed or longer is a standard practice. Keep in mind the park may or may not always agree to this free or discounted lot rent.

**Risk:** The mobile home park is not being too flexible in discounting price.

**Precaution:** 1.) Consider negotiating the ability for you to rent the mobile home to a qualified renter within the community. This will allow you to increase the value you make on each home as this rental income will be extra profit prior to reselling. Once you finish renting the mobile home it can be sold for cash or payments later. 2.) Agreeing to a semi-higher purchase price if the park allows you to make monthly payments for the mobile homes, instead of all cash. From experience a mobile home park may likely not allow you to make payments unless they have previously worked with you before.

**Disclaimer:** If/when you have questions make sure to get clarity sooner rather than later. Aim to really know your numbers and have clarity in every transaction. One simple mistake can be very costly and stressful in the near future. Have questions, ask questions.

### Maximum allowable offer

Definition: The highest price/terms you are comfortably willing to purchase an investment property for while intending to make a specific desired profit.

Depending on each investor the maximum allowable offer for a specific mobile home inside of a mobile home community will vary. What should not vary is to almost always begin making your purchase offers well below this maximum allowable offer limit and go up from there.

**4.** Discuss your comfortable purchase prices and terms with the park manager/owner

In this step of the transaction you'll be having a heart-to-heart discussion with the park representative you have been dealing with. In some cases, you may be dealing directly with the mobile home park owner himself or herself. In other cases, you may be dealing with the local mobile home park manager(s) or regional manager in charge of multiple mobile home parks in the area.

### Your purchase offers

These offers may be verbal, in writing, or sent via email. At first, we will simply call the park representative you have been talking with and explain exactly how we can help over the phone. Make sure you know what you are going to say and your ideal attitude prior to calling to make any offers. Make sure you know your value, worth, and what you are bringing to the table to help this community. Before making your

## Tips When Buying Multiple Mobile Homes Directly from a Local Mobile Home Park Cont.

purchase-offers aim to mentally place yourself in the shoes of the park to understand how these offers may sound.

What will happen next: Once you make these verbal purchase offers/terms there may likely be a back and forth dialog with counteroffers and counteroffers. Remember your worth. Do not feel rushed to make a decision. Remember you are bringing a lot of value to this community/relationship. Once you fix these homes and begin to pay lot rent you'll be adding thousands of dollars of revenue and value to the community monthly. Aim to not exceed or come anywhere close to your maximum allowable offer.

**Real world:** Ideally the park representative(s) you are dealing with understands your value and wants to work with you moving forward. Ideally the park is somewhat flexible and understands the definition of a win-win transaction. However, do keep in mind that some park owners or park managers think almost only about their profits and their best interests. If an opportunity is simply too skinny or risky feel comfortable in being patient and politely passing on the opportunity. Keep in touch with the park moving forward to see what changes and for future mobile homes for sale.

**Pro Tip:** Do not take on more than you can handle. In the beginning of your investing career it may be wise to focus on the quality of homes and not the quantity. Additionally, aim to purchase and resell at least one mobile home in a community before investing in multiple within the same community.

Moving forward? Once a satisfactory win-win purchase offer has been made, thank the seller for this opportunity to work together and help increase the revenue of their community. Look forward to potentially owning multiple properties within this park.

### 5. More due diligence, creating paperwork (preclosing process)

Congratulations! Assuming your purchase offers are accepted there is additional due diligence steps to perform prior to closing. Since you will be purchasing multiple homes it may be important to double check:

- Who shows as owner of record?
- Are there any active liens present?
- Are these homes the best use of your time?
- Are all taxes up to date? If applicable.
- Is the park actually in possession of the title(s)?
- Know all park requirements and demands from applicants and of homes?

- Become park approved.
- What else is for sale in the park and nearby?
- Double check repair estimates. What repairs are needed to resell?
- What specific repairs does the park want completed inside and/or outside of the mobile homes?
- Have you asked all needed questions?
- Re-Verifying local buyer demand.
- Almost always more items depending on the specific situation.

Closing paperwork and title transfer may likely be prepared directly by the mobile home park when purchasing mobile homes directly from a mobile home community. However, after agreeing to win-win purchase offer(s) verify with the park if they would prefer you or themselves to prepare the closing documents.

### 6. Close to obtain ownership and/or title(s)

Be prepared for closing. Call ahead to confirm. Walk through all properties to verify condition prior to closing. Confirm all closing documents are accurate before you sign them. At closing you will typically 1.) sign ownership paperwork to own the mobile homes, 2.) sign lease agreements, and 3.) sign park rules and regulations. Closing may likely take place directly at the mobile home community office.

**Pro Tip:** This is a repeat from the tip above. There no cookie-cutter type group-mobile home deals. Due to different scenarios, park managers, owners, homes, areas, and situations - unique circumstances and questions will arise for you specifically. Ask questions below, email us directly, or work with a local seasoned mobile home investor to help gain more clarity on specific deals you are working.

### 7. Rehab, rent/sell, & manage

As investors, we aim to purchase and rehab our mobile home investments with our end-users in mind. These future end-users are the families and residents we'll be renting and/or selling to in the coming months/years. These future mobile home owners will ideally love and cherish their properties for many years to come.

Once you own the mobile home(s), now is the time to implement your specific repair and resale strategy. This is the strategy you crafted before making your original purchase offers. It may be wise to only repair what is needed in order to successfully rent/resell your investment mobile homes to high-quality residents for a win-win prices and terms.



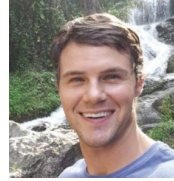
## Tips When Buying Multiple Mobile Homes Directly from a Local Mobile Home Park Cont.

Whether you are selling your mobile home for payments or renting the property, it is always important to very thoroughly screen all adult residents coming into your investment home. You would not simply turn over the keys to your car without thoroughly knowing who these borrowers are.

**Management:** Minimal. When reselling for monthly payments your low-risk tenant-buyers are responsible for all payments, fees, updates, upgrades, maintenance and repairs moving forward.

In conclusion, there are no cookie-cutter mobile home deals when purchasing a package of mobile homes from a park. You will almost always have many questions along the way. You are encouraged to ask any questions below or email us directly at the email address below. Aim to always understand your opportunities, real-world expenses, potential expenses, and hidden expenses, while having a very realistic outlook on potential profit.

Remember that without the actual mobile home parks and the residents we would not be able to help anyone. We are here to help and make people's lives easier. The more value we can create with other people the more value we will create for ourselves. Aim to help others daily and continually let people know what you do and how you may help.



*John Fedro has been investing in manufactured housing since 2002. John now spends his time continuing to build his cash-flow business in multiple states while helping others enjoy the same freedom he has achieved. John may be found at [www.mobilehomeinvesting.net](http://www.mobilehomeinvesting.net)*



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# Why the Media Does Not Understand Our Business Model

By Frank Rolfe

It's a well-known fact that the media hates the mobile home park industry. They delight in producing television shows like Trailer Park Boys and Myrtle Manor, and motion pictures like 8-Mile that promote the stereotype that all mobile home park residents are misfits with a beer bottle in one hand and a cigarette in the other. But recently they have decided to attack our business model as well, claiming that all park owners are simply wealthy opportunists that gouge rents on hapless souls that have no choice but to pay whatever the landlord requests. Is that really how it works?

## The fallacy that customers have no options

One of the first issues that the media has with the mobile home park business model is that the customers have no ability to leave. They often cite my Bloomberg quote that they "are like Waffle House customers chained to their booths" (which I gave the Bloomberg writer in trying to explain why mobile home parks have a lower loan default rate than restaurants, not expecting that they would take it literally). Of course, the truth is that a truly unhappy customer (or one that just needs to move for work or family reasons) has two different options. One is to sell their mobile home. If you simply go to MHVillage or MHBay you will note the sheer scale of mobile homes for sale from private owners. And that does not even include mobile homes being sold by realtors such as Century 21 and Remax. I'm not sure how the media missed this fact. We have mobile homes being sold in our properties frequently, and to say that's not an option is puzzling. The other fact is that most mobile home park owners will pay for the move of a mobile home to their property (these are called "organic" move-ins). Therefore, since the barrier to moving the mobile home is effectively non-existent, no case can be made for this argument.

## The problem with number comparisons: rent

The median home in the U.S. is over \$200,000, and the average apartment rent is around \$1,400 per month. With these giant starting points, an increase of 10% would be \$20,000 or \$140 per month respectively. That's what 92% of all Americans know (8% live in mobile homes). However, a 10% increase in the average mobile home park lot rent of \$280 per month is \$28. That's 80% less than apartments and 1/1000th of single-family homes. To have a mobile home park lot rent equate to the same increase as a 10% apartment rent hike, it would have to go up 50%. Nobody seems to have figured out the fact that, in real numbers, you can't compare mobile home park lot rents to the other forms of housing simply based on fast interpretation.

## The problem with number comparisons: home price

And, of course, there's an equal fallacy in comparing mobile home numbers with stick-built. Mobile homes are not "real" property, instead they are "personal" property - the same classification as a car. Nobody buys a mobile home with the expectation of price appreciation. They buy them because they are insanely inexpensive compared to traditional housing. They are after the monthly savings, not some phantom price bonanza when they go to sell 30 years from now. In fact, if you take the dollar savings over a 30 year period in a mobile home (\$1,000 per month less than a stick-built) and then compare it to the price appreciation of the stick-built you'll find the mobile home resident did better. Here's the math:  $\$1,000 \times 360 = \$360,000$  savings with mobile home vs. price appreciation of \$200,000 home (don't know the number but can't be more than \$100,000, right?).

## The non-profit confusion

What's with this assumption by the media that mobile home park owners signed a sacred vow not to increase rents? Mobile home parks are for-profit enterprises and to even suggest differently is both troubling and odd. There's this thing out there called HUD that subsidizes the apartment industry via a program called Section 8 - OK, that's a non-profit. But mobile home parks are just one of a hundred sectors of traditional real estate and none of them are non-profit. Some people tell me that mobile home parks are different than all other real estate sectors because we deal with the "poor" and therefore can't use traditional economic models. Two responses: 1) our customers are not "poor" by any definition [the U.S. defines "poor" as earning around \$1,000 per month, while our average customer in the industry earns \$2,500+] and 2) there are many other real estate sectors that deal with the actual "poor" and receive no scrutiny at all, such as apartments and some older motel operations.

## The hypocrisy of subsidies

And speaking of the apartment industry, how is it possible that nobody ever realizes that we are the only form of non-subsidized housing in the U.S.? Apartments and single-family homes are supported by the Section 8 program at HUD that pays roughly 80% of the rent. Single-family homes are blessed by Fannie Mae support to make home sales possible for millions of customers who could not qualify using traditional evaluation tools. As these have spiraled out of control and left millions of people unable to afford them, the government steps in and quietly solves the problem via subsidies and changing the rules. But not mobile home parks - we get no support at all. This is an apples to oranges issue that the media never picks up on.

## Why the Media Does Not Understand Our Business Model Cont.

### The proof is in the pudding

I think that one of the biggest issues in the unfair media commentary on our industry is the simple fact that very few writers - if any - have actually been inside a mobile home park. They get their knowledge of the industry from the typical sources: Trailer Park Boys, Myrtle Manor and 8-Mile. So the ignorance just keeps going full circle. The only writer that I know that has ever spent even one night in a mobile home park is Gary Rivlin from the New York Times. He lived in one of our parks for a week, and it completely changed his attitude on the industry <https://www.nytimes.com/2014/03/16/magazine/the-cold-hard-lessons-of-mobile-home-u.html>. After officially becoming a mobile home park resident for a few days, he was astounded at how happy the customers were and he raved about the fact that mobile home parks "are the best thing going in affordable housing".

### Conclusion

Mobile home parks and Rodney Dangerfield share the same tagline: "they can't get no respect" - at least as far as the media is concerned. This is a sad since anyone that spent the time to learn how the business works would be a huge fan. Until then, it's good that most mobile home park owners have a tough skin and a clear conscious.



*Frank Rolfe has been a manufactured home community owner for almost two decades, and currently ranks as part of the 5th largest community owner in the United States, with more than 23,000 lots in 28 states in the Great Plains and Midwest. His books and courses on community acquisitions and management are the top-selling ones in the industry. To learn more about Frank's views on the manufactured home community industry visit [www.MobileHomeUniversity.com](http://www.MobileHomeUniversity.com).*

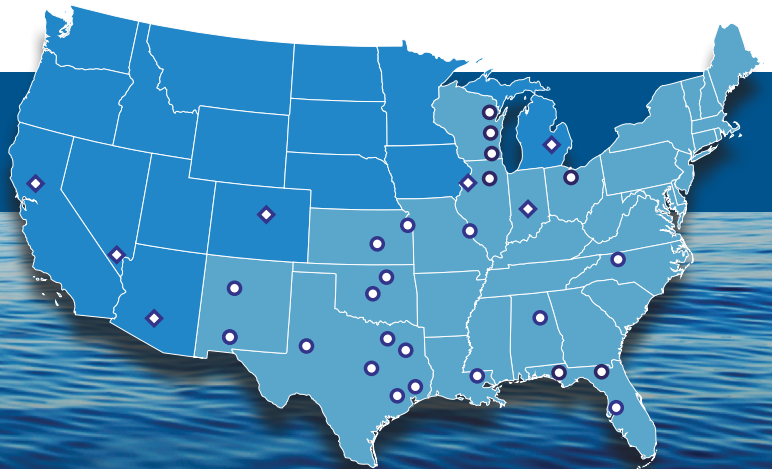
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Recently, a large New York City landlord changed all the locks in their apartment complex to smart locks. The new locks are designed to work with a smart phone app. The landlord believed this to be an added benefit for the tenants as most found the smart locks more secure and easier to use.

However, some of the tenants disagreed. They got together and sued the landlord for the right to use a traditional keyed lock. Two of the plaintiff tenants, both over 90, testified that they couldn't use smart phones, much less smart phone key applications. As a result, they felt like they were prisoners in their own homes. Other tenants testified that the technology allowed the landlord to monitor their movements and thus intimidate those that had non-standard hours for coming and going.

A Judge was hired to help broker a settlement. He ultimately sided with the tenants. The apartment complex owner was ordered to provide a physical key option for those tenants requesting it. Tenants are now allowed to opt out of using smart locks.

It's a legal requirement in almost all most jurisdictions that rental dwellings, including manufactured homes, have locks on all exterior doors. It's smart business for landlords to have truly secure locks that include dead bolts that fit into solid wood or metal door frames. Without these, landlords may be held responsible for assaults on tenants that occur in their homes. A recent Houston case rewarded \$20,000,000 to a tenant who alleged her landlord was a proximate cause of her being sexually assaulted by a man who broke into her apartment.

A good rental unit lock meets several criteria:

1. Makes it easy to allow/revoke access
2. Secures the unit
3. Lasts a long time
4. Offers easy of use and extra features

Key systems, like the Kwikset System, exist which allow landlords to easily re-key a unit by inserting the key and then the learning tool. This wipes away the memory of the old key. Then, inserting a new key will teach the lock that this is the new key. Such a system prevents having to call a locksmith to change out keys and locks. The process takes about five minutes.

Keypad locks are also becoming more popular. To open the door, you simply type in the proper code. Codes are easy to change when tenants change. And the worry of a lost key becomes a thing of the past. Backup codes are often allowed too in the event a tenant forgets their code. Separate codes can even allow access only during certain times and days.

While usability is important, security should be your top priority as a landlord. Make sure any lock you use has a deadbolt component and is properly anchored.



Patsy Norris, Senior Specialty Insurance Agent at Mobile Insurance. You can reach Patsy at Patsy@MobileAgency.com.



The last decade-plus has not been especially kind to the manufactured housing industry and consumers of affordable housing. The 21st Century began with a great deal of promise for the industry and consumers alike. With record production levels and a comprehensively-reformed federal manufactured housing law (i.e., the Manufactured Housing Improvement Act of 2000) that officially recognized manufactured homes as legitimate, affordable housing for millions of American families, manufactured housing appeared poised to approach production levels at or near 500,000 homes per year.

Soon after, though, production began to trend downward and, within little more than a decade of its record high, cratered to historic lows never before seen in the industry's modern era. Following that historic low-point, production levels subsequently stabilized and even achieved modest year-over-year gains, to the point that many observers expected the industry to once again meet or surpass the historical 100,000 homes-per-year production benchmark in 2018. But that did not happen. As the industry entered the last quarter of 2018, year-over-year production levels began to decline – slightly at first, but then more markedly – ultimately limiting annual 2018 production to 96,555 homes, better than 2017, but well shy of the 100,000-home benchmark. Even worse, the decline that began in 2018 has now extended into the first quarter of 2019, with cumulative 2019 production to date (i.e., January and February), 11.5% behind the same time period in 2018.

While it is impossible to predict, at this time, whether this nearly six-month production decline represents the resumption of a broader negative long-term trend, or is little more than a hiccup on the road to continued modest recovery, the fact that industry production, for better than a decade, has remained far below its historical norm (i.e., average production of 169,596 homes per year over the past 30 years and 116,600 homes per year over the past 20 years), should be sounding an alarm bell for someone, somewhere, that all is not as it should be, and that urgent action is needed to: (1) identify the problem(s) lying at the heart of this market descent; and (2) take concrete steps to address, to the greatest extent possible and practicable, those problems, once identified.

Fortunately – or unfortunately -- one does not have to go too far, or engage in overly-taxing mental gymnastics, to identify a myriad of problems affecting the industry and its consumers. As was noted in the January 2019 edition of MHARR Issues and Perspectives, however, such problems – for the most part -- do not currently lie within the industry's production sector. This is not to say that there are no problems affecting the production sector today. There are. As a result, constant

vigilance and aggressive protection of the industry's interests (and those of its consumers) – such as that provided by MHARR -- is essential. Nor is it to say that the most impactful of the problems affecting the industry's post-production sector – detailed below -- are the only problems affecting that sector. They are not. But the effort to find solutions to -- and the resolution of -- these matters has got to start somewhere, and it might as well begin with the problems that appear to be having the most profoundly negative long and short-term impacts on the industry and both current and potential consumers of manufactured housing.

Consequently, although it is still burdened to some degree by HUD (and other government) regulatory overreach and related costs in various respects (e.g., the pending U.S. Department of Energy “energy conservation” standards), as well as the potential return of significant regulatory overreach in a future presidential administration as early as 2020 (or, through the continuation, potentially, of a de facto sole-source “monitoring” contract), the production (or supply) side of the industry's economic equation is not the principal culprit in the industry's failure to reach its full market potential. Instead, it is after the industry's outstanding, inherently affordable homes leave the factory that they hit a proverbial “brick wall.” Indeed, objective analysis shows that the principal market-limiting factors for the industry today, are clustered, almost entirely on the demand – or post-production -- side of the equation (i.e., once the home leaves the factory) where they have not been addressed either decisively or effectively due, primarily, to the lack of coherent, focused and aggressive leadership and the corresponding absence of an independent, national representative for that segment of the industry.

Interestingly, this parallels the experience of the industry's production sector in the late 1970s and early-1980s -- following the federalization of construction and safety regulation -- which led to the establishment of MHARR, in 1985, as an independent, national representative of smaller production sector businesses. The development of an aggressive, independent national representation within the production sector has ultimately led to a situation where the worst regulatory abuses within that realm have been, are being – and will continue to be -- effectively addressed and resolved. There is no comparable independent, national representation in the post-production arena, however, which has allowed regulatory and related abuses to either migrate to – or otherwise fester – within that sector, ultimately harming the entire industry, as well as consumers of affordable housing.

Now, though, both the absence of an independent, national trade representative for the post-production sector and the

## “Lead, Follow ... or Get Out of the Way” Cont.

related long-term failure of the broader industry to effectively address crucial issues within that sector, have led the MHARR Board of Directors (based on decisions made at its March 2019 Annual Meeting) to “take the bull by the horns” and direct MHARR to aggressively target three major post-production issues which, in its view, have most significantly contributed to the industry’s stagnation over the past decade-plus. These critical matters are: (1) in cooperation with the industry’s state associations, MHARR will select two extreme cases of zoning exclusion and/or discrimination, one involving single-home placements and the other involving the development or expansion of one or more manufactured home communities, and legally challenge the underlying ordinances or related mandates; (2) to similarly challenge other types of local placement restrictions or limitations on individual manufactured homes and manufactured home communities; and (3) to publicly expose the failure of Fannie Mae, Freddie Mac and the Government National Mortgage Association (Ginnie Mae) to fully and properly implement existing law, thereby forcing manufactured housing consumers into higher-cost purchase loans, while excluding other potential purchasers from the manufactured housing market altogether. Together and in combination, these issues have established a post-production “brick wall” -- a perfect economic storm that especially harms smaller industry businesses and HUD Code consumers, while benefiting only the industry’s largest businesses.

Again, while these three issues are not the only factors suppressing the manufactured housing market, by far, they are -- both individually and cumulatively -- the most significant drags that exist today on the growth, expansion and positive evolution of the HUD Code housing market, and, conversely, if resolved, either in whole or in part, in favor of the industry and its consumers, would liberate the industry from the severely debilitating limitations that have impeded its growth and its ability to serve many more Americans in need of affordable, non-subsidized housing and homeownership.

Specifically, in the realm of zoning, how can the industry significantly expand its reach and potential market when vast areas of the country are effectively “off limits” to manufactured housing or else sharply restricted, including many of the most heavily populated places in the United States? Regarding placement restrictions, how can the industry thrive, prosper and expand to its full potential as an affordable housing resource, when new manufactured housing communities, in the overwhelming number of cases, cannot be developed and existing communities cannot be expanded or modernized? And, in the area of consumer financing, how many millions of lower and moderate-income Americans are (and have been) excluded from the manufactured housing market because

of higher-than-necessary interest rates on the personal property loans that represent nearly 80% of manufactured home consumer loans ... rates that are higher-than-necessary because Fannie Mae and Freddie Mac, more than ten years after the enactment of DTS, still do not provide market-significant (or, indeed, any) securitization or secondary market support for such loans -- directly contrary to existing law?

Moreover, while these specific problems are open, notorious, and well-known, and have been obvious as a growing source of trouble for the industry over the entire time that manufactured housing production has fallen far below historical averages, they have not been resolved, or even seriously or aggressively addressed by the broader industry (and the Manufactured Housing Institute), which -- while collecting significant funding (i.e., dues) from retailers, communities, finance companies, insurers and state associations, among others -- has seemed content to let the industry’s largest corporate conglomerates consume an increasing portion of a market that has contracted by 74% over the past 20 years.

On zoning and placement, for example, what has been done (at the national level) to actively press jurisdictions to accept manufactured homes, or, even more importantly, contest and oppose efforts to exclude HUD Code homes, such as occurred just days ago in Bryan, Texas and has been an accelerating trend in recent years? Where is the advocacy? Where is the litigation to prevent the discriminatory exclusion of manufactured homes -- and lower and moderate-income manufactured homeowners -- from entire jurisdictions? Particularly now that HUD and HUD Secretary Ben Carson have specifically recognized restrictive zoning as a major impediment to affordable housing and homeownership? And what about consumer financing and DTS? What has been done at the national level by the broader industry, for ten-plus years, to demand the full and proper implementation of DTS for manufactured home personal property loans? And even now, instead of pressing that issue, which directly prejudices nearly 80% of the manufactured housing finance market, MHI is trumpeting cooperation with Fannie Mae and Freddie Mac on financing for a supposed “new class” of manufactured homes which are neither inherently affordable nor within the mainstream of HUD Code manufactured housing.

As a production sector association, it should not be necessary for MHARR to take the lead on post-production matters. But, for the past 25 years, MHARR has been compelled to lead on many key industry issues. Like reform of the original 1974 manufactured housing law, where passage of a final bill was delayed by a full decade because MHI, at the last minute, withdrew its support for language that both MHI and MHARR had previously committed to (which would, among



## “Lead, Follow ... or Get Out of the Way” Cont.

other things, have provided for a removable chassis). Or HERA’s DTS provision, where critical language was provided by MHARR. Or the removal and reassignment of the previous HUD program administrator, which was pressed with HUD by MHARR (while MHI, by its own admission, as reported by the Washington Post, “did not weigh in on [Pamela] Danner’s reassignment”). MHARR’s initiative to aggressively pursue zoning reform (all the way to the Supreme Court if necessary) and the full and proper implementation of federal law with respect to manufactured home consumer personal property loans, thus represents the fourth time in recent history that MHARR has had to assume the mantle of such leadership because the broader industry – and its erstwhile national representative – have either failed, or simply not tried.

This effort will not be easy and there are no guarantees. But in the absence of a genuine, aggressive effort, what prospects does the industry face? Its de facto exclusion from entire jurisdictions across the United States? Continued blatant discrimination against its homes and its customers? The slow strangulation and elimination of manufactured home land-lease communities which is evolving because of the refusal of most jurisdictions to permit new (or expanded) communities while older communities are closed or “re-

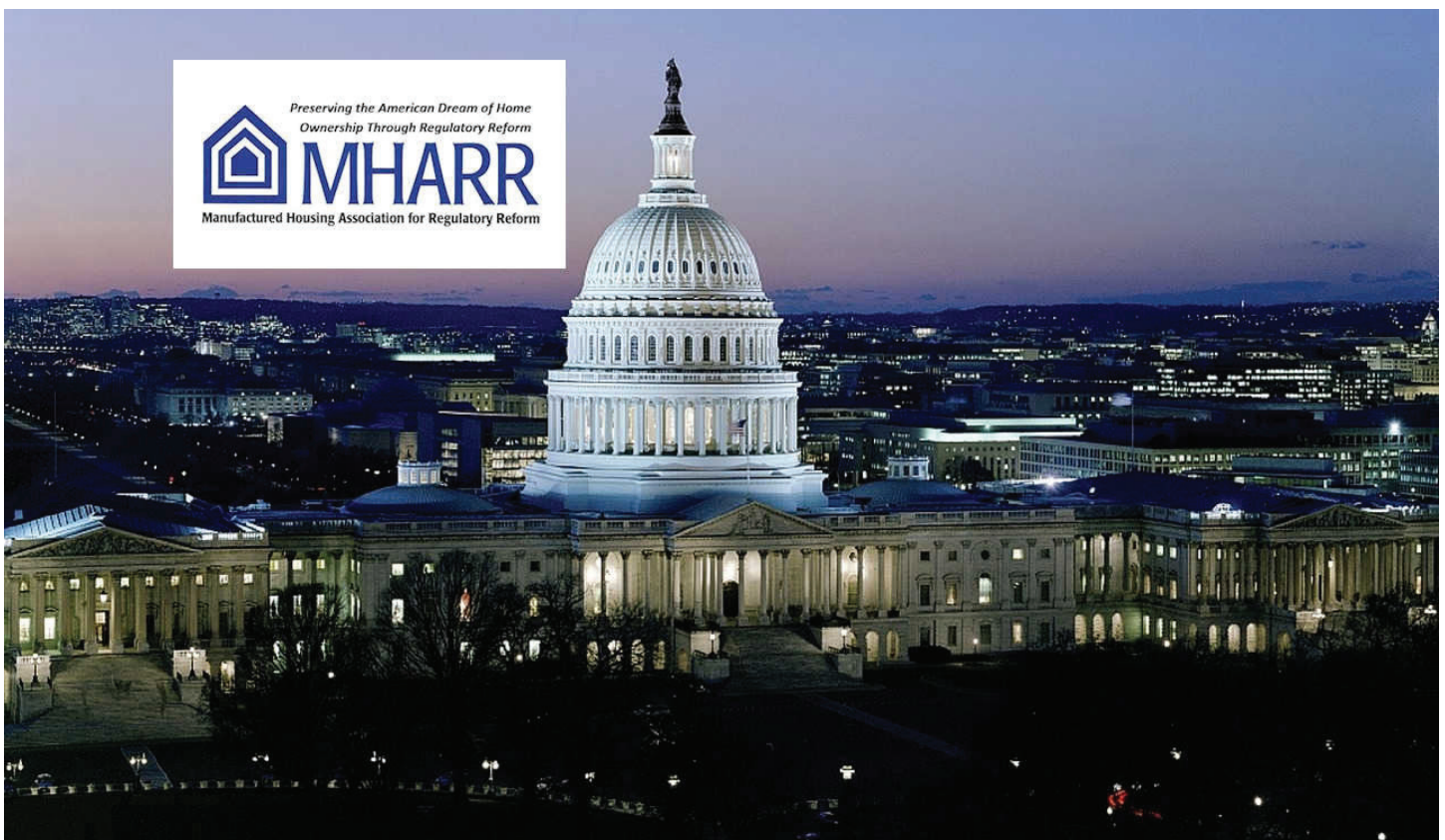
purposed?” Decades more delay on DTS from Fannie Mae and Freddie Mac, which have no seeming interest in providing securitization or secondary market support, as directed by Congress, for the vast bulk of the manufactured housing consumer financing market? On all of these fronts, there would be more of the same – endless delay and evolving decay as the industry, closed-in by ever shrinking walls, withers to economic irrelevance.

The industry’s smaller, independent businesses, as represented by MHARR, are unwilling to accept this slow “death of a thousand cuts” without a fight, and will therefore lead with this initiative as far – and as long – as it takes.



*MHARR is a Washington, D.C.-based national trade association representing the views and interests of independent producers of federally-regulated manufactured housing.*

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# STRONG POINTS: SPRING 2019

## SELLER'S DISCLOSURE NOTICE IN REAL ESTATE

When I practiced law in California, I used to provide training to newly licensed real estate agents and brokers about their duties as representatives of residential real estate buyers and sellers. A familiar question in those sessions was how thorough a seller's disclosure notice had to be, and what the broker or agent's role might be in those disclosures, particularly when there was a concern the disclosures might torpedo a sale. My response was always the same: when in doubt, disclose, and counsel your clients to err on the side of providing more information than you believe necessary. The reason is simple: if the facts you are concerned about disclosing are significant enough to kill the sale, you can bet they are likewise significant enough for the buyers to sue you about *after* the sale.

In Texas, Real Property Code Section 5.008 governs seller disclosures in residential real estate transactions, and in addition to the specific categories of information listed in the statute, courts interpreting Section 5.008 have held that sellers must "disclose material facts within their knowledge that would not be discoverable by the exercise of ordinary care and diligence by the purchaser, or that a reasonable investigation and inquiry would not uncover."<sup>1</sup> Moreover, an agreement from the buyer to purchase the property "as is" does not absolve sellers of their disclosure duties.<sup>2</sup> While sellers must only disclose facts about which they have actual knowledge, a hyper-technical reading of the statute may subject a seller to liability. This is because a seller must disclose material facts affecting the property even if they do not fall neatly within specific categories enumerated by the statute. Further, if a broker has reason to believe the seller's disclosures to be false or inaccurate, he also has a duty to come forward.<sup>3</sup>

Thus, my advice to California real estate agents and brokers also holds true in Texas – when in doubt, disclose, and err on the side of disclosing more than may be strictly required under the real property statutes. This is certainly a circumstance in which an ounce of prevention is worth a pound of cure.

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**Laura Dumas**

Managing Counsel of Litigation

<sup>1</sup> Myre v. Meletio, 307 S.W.3d 839, 843-44 (Tex.App.—Dallas 2010, pet. denied).

<sup>2</sup> See, e.g., Prudential Ins. v. Jefferson Assocs., 896 S.W.2d 156, 161-62 (Tex.1995); Williams v. Dardenne, 345 S.W.3d 118, 124 (Tex.App.—Houston [1st dist.] 2011, pet. denied).

<sup>3</sup> Sherman v. Elkowitz, 130 S.W.3d 316, 321 (Tex.App.—Houston [14th Dist.] 2004, no pet.).

# It Depends

## What Happens When Real Estate Disputes Go to Court?

By Rusty Adams

As the old joke goes, a law professor was delivering a commencement address to law school graduates. "Three years ago, if someone had asked you a legal question, you honestly would have answered, 'I don't know.' Now, however, you may emphatically declare, 'It depends.'"

After becoming embroiled in a real estate dispute, landowners or tenants sometimes find themselves in a lawyer's office. Sometimes, they come in fired up and ready to file a lawsuit. More often, they just want to find out what their rights are. They schedule a consultation, tell their story, and lay out their vision of the dispute. Then they look expectantly at their lawyer. "What are my rights? What does the law say about my situation?"

Many times, they are shocked to hear the lawyer's answer: "I don't know." Or the statement that has become somewhat of a punchline: "It depends." It's funny because it's true. Lawyers often don't know, and, almost always, it really does depend. Understanding why requires some knowledge of how law is made. The law is at best an educated guess at what courts will decide.

### When Lawsuits Are the Only Recourse

Law exists, among other reasons, to provide order, set expectations, and resolve disputes. Many disputes are resolved by informal discussions between neighbors, or by mediations conducted without the filing of a lawsuit. If these efforts fail, a lawsuit may be the only recourse. Once a lawsuit is filed, the law provides a framework for how the case will be decided. Sometimes the case will be decided at trial by a judge and/or jury. More commonly, it is settled before it reaches trial.

When a case settles, it often settles based on the parties' best guesses at how the law applies, how the evidence is likely to develop, and what a judge or jury is likely to decide. Usually, each side gives up something to obtain the certainty of the result. They are willing to sacrifice some of the money or property at stake rather than risk losing all of it. Also, when the lawsuit process stops, the legal bills soon stop. But when settlement efforts fail, the lawsuit forges ahead toward trial.

Now, look at the law itself. Statutes are legislative acts passed by the United States Congress or the Texas Legislature. Regulations are rules made by federal or state agencies pursuant to power that is delegated to them by congress or the legislature. When most people talk about "the law," they are referring to statutes or regulations, and they generally think of it as black and white, cut and dried.



Unfortunately, no set of statutes or regulations could ever be written that covers every event that might happen across the length and breadth of human interaction. That's where the courts come in. The statutes and regulations must be interpreted in relation to the facts. Often, words in the statutes must be defined. Sometimes there are no statutes or regulations that apply to the facts at hand. In all of these situations, the court may base its decision on the "common law" (i.e., previously decided cases, if any applicable case law exists).

If the case goes to trial, the trial judge will make decisions on such things and will issue a judgment. The judgment is based on the facts as determined at trial and the law as applied by the judge. Most trial court decisions, particularly in Texas, are not published and do not "become law."

### Filing an Appeal

If either side disagrees with the interpretations made by the trial court, it can file an appeal to a higher court. A factual finding can be challenged only on the basis of insufficient evidence, whereas a decision on the law is subject to review by the judges of the appeals court. Essentially, the appellant (appealing side) is asking the appeals court judges to grade the papers of the trial court. When the appeal is decided, the appeals court issues an opinion setting forth its decision and explaining its reasons. Once published, the opinion becomes part of the "common law" mentioned above, and it may be used as precedent in deciding later cases.

There are many who rightly decry the practice of "legislating from the bench," wherein judges "make law instead of interpreting it." Certainly judges sometimes overstep their bounds, fail to exercise judicial restraint, or are just plain

## What Happens When Real Estate Disputes Go to Court? Cont.

wrong. Certainly they may blindly follow precedent or make imprudent exceptions to existing rules. But make no mistake: Judges do make law—common law—every time they issue an opinion. It's their job.

Often, different courts of appeals reach different decisions on similar factual situations. If the Supreme Court has not decided the outcome of such a "circuit split," then there may not be a clear answer as to what the law is in a particular dispute until the issue is decided by a higher court.\* And that requires an actual dispute actually tried and appealed all the way to that higher court. Courts only decide actual controversies; they do not answer hypothetical questions.

If a party disagrees with the decision of the court of appeals, it may seek further review from the Supreme Court—in Austin or in Washington, depending on whether the case is state or federal. The Supreme Court does not have to hear the appeal. If the Supreme Court does take the case, it also issues an opinion, which becomes the law of the land—state or federal, as the case may be.

Even then, there are pitfalls. Even when the rule is clear, it is rare that two cases have exactly the same facts. One side will argue that the facts are the same and that a particular common law rule should apply to the dispute. The other side will argue that the rule is to be applied narrowly to a specific set of facts, and then point out where the facts are different so as to merit a different result.

Finally, sometimes judges simply don't follow the precedent. When they don't, litigants must decide whether an appeal is available and, perhaps more importantly, if it's worth it.

All of this, of course, takes a lot of time and money and is often very stressful, especially when it involves individuals. As a result, most cases are settled or finally decided without going up on appeal. When that happens, no new law is made.

So, to recap: For new case law to be made, a lot has to happen. There has to be an actual dispute. There has to be a lawsuit. It has to make it through the process without settlement, all the way to trial. One of the parties has to have the money—and the stomach—to continue the fight through one or more levels of appellate courts. If all of these things happen, perhaps new law will be pronounced by a court. If so, then the ever-changing law will have changed again.

But will it apply to your case?

Well, it depends.

Nothing in this publication should be considered legal advice. For specific advice, consult an attorney.



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Adams is a member of the State Bar of Texas and a research attorney for the Real Estate Center at Texas A&M University.



\*The Texas Supreme Court may imply approval of the decision of a Texas Court of Appeals by "refusing" a petition for review. This results in the lower court's opinion's becoming statewide precedent. In contrast, "denying" a petition for review does not create statewide precedent; it only means the Supreme Court has found that the petition presents no error that requires reversal or is of such importance to the jurisprudence of the state as to require correction.

## Louisiana Restore Update

The following are clarifications of several questions brought up by LMHA members regarding the Louisiana Restore Program:

1. The State Fire Marshal's requirements for site preparation (dirt fill) will not disqualify any MHU grant;
2. The Restore program will not pay for fill dirt;
3. If there is a unique problem, like the FHA guidelines that require the adjacent grade be above the Base Flood Elevation, then that will have to be separately approved by RESTORE; and
4. The program's position on fill dirt has not changed regarding payment for fill dirt. It is RESTORE's policy to pay for elevation as opposed to fill dirt. One of their people had mistakenly applied a policy relating to site built homes to manufactured homes.

*BY Steve Duke, Executive Director of the Louisiana Manufactured Housing Association.  
You can reach Steve and his staff at [Info@LMHA.com](mailto:Info@LMHA.com)*



### Early Bird Registration Ends Tuesday, July 23.

Please note that there are limited spots available for attendees and exhibitors.

[www.ManufacturedHousing.org](http://www.ManufacturedHousing.org) | [#MHIWesternSummit](https://twitter.com/MHIWesternSummit) | [events@mfghome.org](mailto:events@mfghome.org)



## REGISTER TODAY!

MHI's National Communities Council (NCC) is expanding its reach with the NCC Western Summit. If you own a manufactured housing community or manage one for a portfolio owner this event is for you!

Don't miss out on three days of:

- Educational sessions taught by industry experts.
- Networking opportunities and exhibitors geared to community managers and small owner/operators.
- A factory tour at Skyline Champion's Chandler, AZ production facility to see homes go from a bare chassis to a fully built home.

## Michigan Manufactured Housing Association (MMHA) Ad Campaign Highlights the Benefits of Manufactured Homes

The busiest season for homebuying is underway, and the Michigan Manufactured Housing Association (MMHA) gave their state's industry a boost, with an online and television advertising campaign highlighting the benefits of manufactured home ownership.

MMHA ran a statewide TV campaign on the Comcast cable network this spring. The 2019 campaign ran a total of 8,438 spots in Detroit, Grand Rapids, Flint, Lansing, Alpena, Marquette, St. Joseph and Traverse City markets. The campaign includes images of trend-setting home features in beautiful model home interiors, along with images of families, couples and friends. The two 15-second commercials highlighted the fact that there are more than 300 manufactured home communities and sellers in Michigan, and directed consumers to [michhome.org](http://michhome.org). To view the commercials, click here (link to YouTube).

The results from the campaign included an 11 percent increase in website traffic over last spring's campaign. But, when compared to the same time period two years ago (when no campaign was running), the website visitors increased by 31 percent, and the member search pages saw a 78 percent increase.

"The results of this campaign are very encouraging. In our marketing efforts, we strive to both educate the public about the affordability, style and value of manufactured housing ... and to also direct those interested homebuyers to our network of

member retailers and communities," said Josh Schnakenberg, chairman of the MMHA PR and Marketing Committee. "In this campaign, we accomplished both of these goals."

The association also runs year-round campaigns online, including on Facebook, which is doing especially well, with web clicks from the campaign making over 680,000 impressions since the start of the campaign July 1, 2018. The page currently has nearly 20,000 page likes.

The Michigan Manufactured Housing Association is dedicated to educating the public about the benefits of manufactured and modular home living and connecting people interested in finding a community or home with its members. MMHA is one of Michigan's oldest trade associations, founded in 1941. MMHA is a nonprofit association representing the manufactured and modular home industry in Michigan. MMHA works to improve the image of manufactured and modular housing by educating consumers, media and government about the quality, affordability, design and beauty of the homes.



For more information, visit the Michigan Manufactured Housing Association at [www.michhome.org](http://www.michhome.org) or contact MMHA, 2222 Association Drive, Okemos, MI 48864-5978; 517.349.3300.



SECURITY  
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Communities  
Dealers  
Owners  
Renters



Investors  
Renters  
Transporters  
Installers  
Bonds  
Cyber Liability

## Michigan Manufactured Housing Association (MMHA) Develops TV Campaign Highlighting the Benefits of Manufactured Homes

With the arrival of spring and the busy homebuying season, the Michigan Manufactured Housing Association (MMHA) created a television advertising campaign highlighting the multiple benefits of manufactured home ownership.

Consumer interest in manufactured housing continues to be strong. In 2018, new manufactured home sales in Michigan totaled 4,096. MMHA wants to continue the industry's momentum and educate potential homebuyers on manufactured housing quality, style, lifestyle and affordability.

"We are targeting those who are looking for affordable alternatives to traditional built homes," said Bill Sheffer, executive director of MMHA. "Homebuyers are looking for high-quality homes with great features in friendly neighborhoods."

MMHA has designed a statewide TV campaign to air on the Comcast cable network. Two, 15-second commercials were developed and will run as "bookends" (at the top and bottom of commercial breaks). The campaign will run April 8-28.

The 2019 campaign features images of trend-setting home features in beautiful model home interiors, along with images of families, couples and friends. Both commercials highlight

the fact that there are more than 300 manufactured home communities and sellers in Michigan, and will direct consumers to [michhome.org](http://michhome.org).

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[View the TV Campaign Video](#)



For more information, visit the Michigan Manufactured Housing Association at [www.michhome.org](http://www.michhome.org) or contact MMHA, 2222 Association Drive, Okemos, MI 48864-5978; 517.349.3300.





Operating your business through properly formed and managed entities, such as a corporation or a limited liability company (an “LLC”), is one of the most effective ways to limit your personal liability for the debts and obligations of the business. Almost all states now allow the formation of LLCs for annual fees varying from \$200 to \$1,000. They’ve quickly surpassed corporations and limited partnerships as the most common type of new entity formed for small businesses. The flexible management and operations structure of an LLC make it an ideal fit for many businesses, particularly small businesses that do not require the complicated management structures of a corporation or the strict limitations in a limited partnership.

The specific protections and advantages of an LLC vary somewhat by state, but are generally similar. There is no requirement that an LLC be formed in the state where the business operates or is headquartered. For example, you can buy a park in Oklahoma, live in California, and form your LLC in Nevada. But if you do create your LLC in the state where your park or business is located, you won’t have to register as a foreign corporation or entity there.

While an LLC can have officers like a corporation (ex. President, V.P, Secretary...), it is not required to do so. Statutorily, an LLC is managed by either its members (the owners of the LLC) or by its managers (persons elected by the owners to manage the LLC). The managers can be members themselves or a third party who has no ownership at all in the LLC. Most state LLC formation statutes regarding the operations and structure of an LLC are intentionally flexible regarding management. When signing documents, an LLC manager can sign as “Manager,” “Member,” or even under a formal corporate title such as “President” or “Treasurer,” as long as such titles are included on your LLC records.

When you file an LLC form with a state Secretary of State, the application will ask if you want to be Member managed or Manager managed. There are a number of factors that help determine which you should choose. However, I generally recommend the Manager managed option because:

- a. There’s more anonymity regarding the actual ownership of the LLC when forming the entity and filing annual tax reports. In a manager-managed LLC, only the managers (not the members) are listed on the Certificate of Formation;
- b. There’s more flexibility regarding transfers of ownership. Owners are not named in the formation and annual reporting of the LLC and changes in ownership are not reported; and
- c. There remains the ability to name nonmembers as managers of the LLC. Since a manager does not have to be an owner of the LLC, having the entity be manager-managed gives the LLC the flexibility of hiring a non-owner third party to serve as the manager of the entity.

The most expensive part of forming an LLC or Corporation is often the creation of an Operating Agreement, which is normally written by a lawyer and cost \$1,500 or more. These are needed and valuable documents if you have multiple owners or investors. Operating Agreements set forth the formal rules regarding ownership and management of the entity. However, if the only owner is you and or a spouse, the usefulness of such a document drops significantly because you’re not likely to have a big dispute with yourself. Operating Agreements are not required. If that’s the case, you can generally file the Certificate of Formation with the Secretary of State and acquire the Taxpayer Identification number from the IRS yourself promptly and easily. Of course, as with any decision regarding the formation and operations of an entity, it is valuable to visit with your insurance agent, CPA or lawyer about what’s best for you.



Kurt D. Kelley, J.D.  
President of Mobile Insurance  
Kurt@mobileagency.com

## EducateMHC presents 28th Annual Networking Roundtable

Indianapolis, IN - Land lease community owners and operators from around the country gather for hands-on, timely education on key manufactured housing industry issues on September 8-10, 2019.

The conference begins on Sunday, September 8th with a welcome reception and address from MHIndustry icon, George Allen, CPM Emeritus, followed by two days of workshops. An additional Manufactured Housing Manager (MHM) training will be held September 11th.

The 28th Annual Networking Roundtable is 'the place to be' for MHIndustry leaders to share knowledge, network, and learn from experts. All attendees introduce themselves in the opening session, setting the stage for exposure and connections to nurture industry relationships.

There are over 50,000 land lease communities, representing an impact of over \$1 trillion dollars to the US economy. "This gathering represents a level of enthusiasm, deal-making and progressive-thinking found nowhere else", said Allen, who has championed education, statistics, and professionalism in the MHIndustry.

2019 marks a new era for Allen as he is passing the reins of facilitating the event to his daughter, Susan McCarty and her business partner, Erin Smith. Together, they have cultivated a list of speakers on the cutting edge of industry issues.

Most notably, the opening Keynote speaker on Monday, September 9th will be U.S. Senator Todd Young.

Conference sessions include: Affordable Housing Crisis; Buying, Selling & Financing New HUD Code Homes; Management Automation; Sub-metering; Online Digital Footprint and Resident Relations.

Registration is available online at [www.EducateMHC.com](http://www.EducateMHC.com)

About EducateMHC: EducateMHC was founded by Susan McCarty, a long time professional in the MH Industry and business partner, Erin Smith in 2018. Both believe preserving the legacy of data George Allen has amassed over four decades is vital to the future of the affordable housing industry. Susan & Erin run multiple companies in Indiana and Illinois and look forward to success in this new venture.

**More information: Erin Smith, 317.697.1717**



# 11 Myths

By Utah Housing Alliance

1. Too many people believe that manufactured homes always lose value after purchase, like a car does. But studies show that it's the land on which the home stands, not the method that built it, that determines whether its value rises or falls.
2. Too many people believe that manufactured home construction methods are slipshod. But manufactured homes, unlike site-built homes, are regulated by the U.S. government under the HUD code. That means design, construction, durability, strength, fire resistance, energy efficiency, and more, are all federal matters. The homes are built well; Uncle Sam makes sure!
3. Too many people think all manufactured homes look and perform alike. The choices are yours – anything you could get in a site-built home you can get in a manufactured home, and almost certainly more economically.
4. Too many people think manufactured homes are unsafe. But the insurance industry itself has found that manufactured homes are, in many ways, safer than site-built homes. University studies have echoed those findings.
5. Too many people think manufactured homes are made with inferior materials. The same components are used that go into constructing site-built housing, though, and held to even higher material and installation standards by the HUD code.
6. Too many people think manufactured home floors are weak – that they won't hold up waterbeds, for example. But the same flooring materials that are used in site-built homes are used in manufactured homes. Plus, the flooring platform is glued and nailed in a manufactured home. Site-built floors are only nailed.
7. Too many people think manufactured homes are hot in summer, cold in winter. But insulation standards in today's manufactured home are as high as in the stick-built home – R21 or higher in the roof, R11 or more in the sidewalls and floor. The manufactured home is a cozy home for all seasons.
8. Too many people think manufactured home roofs are weak. But they're made with certified trusses; the same shingles used in stick-built homes, and are assembled indoors. Vinyl siding is often a higher grade on a manufactured home than on its site-built neighbor.
9. Too many people think manufactured home interiors are skimpy. But today's home has walls three or four inches thick, covered with 5/16- or 1/2-inch gypsum.
10. Too many people don't realize that manufactured home warranties are stronger than those on site-built homes. Many manufactured homes carry warranties of up to five years on structural features. In a site-built home, you may have as few as 30 days to find any faults.
11. Too many people have a poor image of the manufactured home industry, when in fact it is a dynamic industry that has led in construction technology. These people keep looking for ways to improve their already-fine products, too. But, more and more people are realizing every day just what a wonderful option manufactured housing offers them. Attractive, affordable, spacious and quality-built – ***there is a manufactured home that's right for everyone!***

[Info@coloradohome.org](mailto:Info@coloradohome.org)



## Alternative Properties: “Mom-and-Pop” Manufactured Home Communities Might Be the Next Frontier for Investment in the Sector

By Sebastian Obando



As institutional players take over larger communities, smaller investors can benefit by looking at communities with under 100 home sites.

Industry experts see plenty of room for growth in the manufactured home communities sector, particularly among the smaller properties.

Often referred to as mobile homes or trailers, manufactured home communities are, in fact, a specific type of factory-built housing, constructed in accordance with the U.S. Department of Housing and Urban Development’s (HUD’s) Manufactured Home Construction and Safety Standards Code. They should be distinguished from RVs, trailers and park-model homes. Manufactured homes are an important source of affordable housing, particularly for rural and low-income residents, according to experts.

Within the last few years, some of the world’s largest private equity firms, and institutional investors, with more than \$1.77 trillion in assets, have made investments in manufactured home communities across the U.S., according to a report by the Private Equity Stakeholder Project, MHAAction and Americans for Financial Reform Education Fund.

There are some estimated 50,000 land lease communities of all sizes in the United States. Of these communities, a majority are properties comprised of 100 or fewer rental home sites, and a minority are properties with 100 or more rental home sites. The larger properties, consisting of 100 or more sites, are already widely owned by the 500 known major players.

For example, in mid-2018, the Blackstone Group bought a portfolio of manufactured home communities from Tricon Capital Group. Tricon reported that month the sale of 14 manufactured housing communities for an estimated \$172 million.

In 2017, private equity firm Apollo Group management bought Inspire Communities, a manufactured home community operator with 13,000 home sites.

In 2016, the sovereign wealth fund for the Government of Singapore (GIC) and the Pennsylvania Public School Employees Retirement System bought a majority stake in Yes! Communities, one of the largest owners of manufactured home communities in the United States. Yes! Communities has since grown to 54,000 home sites by buying up additional manufactured home communities, according to a May 2018 company press release.

## Alternative Properties Cont.

But as major real estate players target large manufactured home communities, other investors see opportunity for acquisition and growth among the smaller “mom & pop” properties.

“Actually, it’s a pretty active market; you just don’t hear about it,” says industry consultant George Allen, a manufactured housing manager and emeritus member of the Manufactured Housing Institute. “Not something of interest to big guys, but certainly good for a nice passive or active investment.”

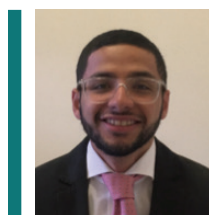
Manufactured home communities are attractive investments for REITs, large private equity players and other investors due to their low annual turnover rates and low operating expense ratios. There is also a limited to almost no new supply of mobile home communities coming on-line; therefore, owners are relatively unchallenged by competition from newer properties.

“That’s what we’re doing. We’ll buy, the smallest I’ve done is 50 units, and we’ll buy that, and that’s okay,” says Hansel Rodriguez, principal at COARE Communities, a real estate company. “But what we’ll try to do is can we buy three 50-unit communities, because now it’s a portfolio.”

Operating multiple smaller mobile home communities in an area is advantageous because of economies of scale. This differs from operating apartment communities, as more apartments under ownership translates to higher operating expenses. For mobile home communities, the expenses remain relatively unchanged no matter the size of the community, as tenants are all required to take care of their homes inside and out.

“The larger a mobile home park is, frankly, the easier it is to manage. Just the opposite for apartment communities,” says Allen. “The point of the matter is a 200-site mobile home park is more than double the value than a 100-site mobile home park because of the way those numbers work.”

According to Allen, the highest return on a property he purchased was 60 percent. Rodriguez says the internal rate of return (IRR) on these investments can range from 15 to 20 percent. John Pawlowski, senior analyst at Green Street Advisors, pegs the internal rate of return on manufactured housing communities at an average of around seven percent. “It’s extremely positive, it’s a sector we love versus basically any sector we cover,” says Pawlowski. “Green Street has loved this business for 30 years and continues to believe it’s cheap and underpriced in the stock market, in the public market and is a prime real estate vehicle as well.”



*Staff Writer, National Real Estate Investor*  
Sebastian is a staff writer covering the commercial real estate industry for the National Real Estate Investor. Prior to joining NREI, Sebastian worked as a contributing writer for Forbes, covering personal investment topics. He has also written for the Washington Post and interned for the Daily Caller in Washington D.C. Sebastian is a graduate of the Philip

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**rei** REAL ESTATE  
**INVESTOR**

**A**s a small business owner, you might have considered hiring a 1099 subcontractor. In some ways, a subcontractor can give you more flexibility than an employee. Subcontractors are responsible for their own permits and payroll taxes.

But, you must be careful when making a 1099 contractor agreement. You do not want to misclassify an employee as a subcontractor. The IRS monitors worker classification. Misclassifying workers can be costly, and you could face IRS penalties and fees.

Once you understand how to classify a worker, you can begin the hiring process for a 1099 subcontractor. Keep in mind these tips when hiring a subcontractor.

### Know the history of the 1099 subcontractor

It's important to know how the 1099 subcontractor works before you hire them. Ask the worker to see samples of their previous work. A subcontractor might have a website or portfolio.

Does the work meet your standards? Determine if the subcontractor can produce results that match your expectations.

### To get more details about the subcontractor's history, ask for references or client examples.

Speak to others that have been involved with the subcontractor to get a snapshot of their work. Ask for at least two references.

If the subcontractor must carry a license or permit, be sure they are licensed. Check if your state requires 1099 subcontractors to have a license. Without a license, you may be liable for accidents during the project.

### Always have a written 1099 subcontractor agreement

Before you hire a subcontractor, create a written agreement. A standard subcontractor agreement form will help you if the IRS questions the worker's status. The 1099 subcontractor agreement also clarifies the expectations of all involved parties for the project.

In a standard subcontractor agreement, include details about the fee structure, payment terms, and cancellation policy. Also, note any due dates for payments, and dates for the start and completion of the project.

Outline how the subcontractor will perform the work in the agreement. Make a record of the characteristics of their work to show the worker's status is 1099 subcontractor.

Both you and the subcontractor should sign the agreement before beginning work. If you have any issues while the subcontractor performs work, consult the agreement. Deal with issues according to the terms you agreed on.

### Have the 1099 subcontractor fill out Form W-9

When you work with a 1099 subcontractor, you are not responsible for payroll tax withholding. The subcontractor handles the employee and employer portions of the payroll taxes. Have the worker fill out Form W-9 to show they will be handling all the payroll taxes.

Each subcontractor should complete Form W-9 before they begin any work. On the form, the subcontractor identifies their business structure type (sole proprietorship, corporation, etc.).

Form W-9 also asks for the subcontractor's name and Taxpayer Identification Number (TIN). The TIN can be a Social Security number or an Employer Identification Number (EIN).

Keep the completed Form W-9 on file. At the end of the year, use Form W-9 to complete IRS Form 1099-MISC for each subcontractor you paid. Form 1099-MISC shows the IRS the income the subcontractor received from your company. Also, file Form 1096 to show the total amount you paid to all your 1099 subcontractors.

Be sure the Form W-9 is up to date each time you work with a subcontractor. Keep Form W-9 on file for at least three years.



*Mike Kappel, Chief Executive Officer*  
Michael J. Kappel is the founder and Chief Executive Officer of Patriot Software Company and its subsidiaries. Upon earning his Industrial and Systems Engineering degree from Ohio University in 1980, Mr. Kappel worked in the Nuclear Equipment Division at Babcock & Wilcox, a publicly traded company that focuses on advanced energy and environmental technologies and services. During his tenure at Babcock & Wilcox, Mr. Kappel was often promoted where he spent two years in intensive training at the nuclear manufacturing facility and went on to lead many major computer systems projects. In 1986, Mr. Kappel saw unlimited potential in the relatively young software industry so he left the corporate world to start Patriot Software Company and its five successful subsidiaries: Synergy Data Systems, LLC (1986); Top Echelon Network, LLC (1988); Top Echelon Contracting, LLC (1992); Career Marketplace, LLC (1995); and, Patriot Software, LLC (2002). With more than 30 years of experience as an entrepreneur and small business owner, Mr. Kappel is passionate about small business and its profound impact on the American economy. <https://www.patriotsoftware.com/accounting/training/blog/do-your-homework-when-hiring-a-1099-subcontractor/>

# Is it Too Easy to Obtain an Emotional Support Animal Prescription?

By The Desert News

Airlines have the sympathy of landlords, too. They say the joke could as easily begin: “a guinea pig, a hedgehog and a cat are looking for an apartment.”

Staff in public transportation companies and housing rental offices are increasingly finding themselves challenged to sort through which types of service or support animals must be allowed by law. According to these companies, some individuals are cheating by introducing ordinary pets as doctor-prescribed “emotional support” animals in order to bring them into housing where pets are banned or to avoid fees such as pet deposits, pet rent or travel costs.

“I can’t go 30 minutes any time I’m around landlords without someone bringing up assistance animals,” said Paul Smith, executive director of the Utah Apartment Association, which advocates for landlords. “That’s the No. 1 issue for landlords. Landlords want to accommodate people with disability, but want to cut down on fraud.”

To legally gain accommodation for an emotional support animal requires an “impairment that substantially limits one or more major life activities,” Smith said. “In addition, the animal has to be a medical necessity – it’s not just that having a cat makes me happy. Having the cat treats the medical condition. Our frustration is not that we don’t think there are people who genuinely need one. But under that definition, the animal has to be a medical necessity. We don’t think that definition is met most of the time.”

Nor do people police their own behavior, he added. “It’s like a movie theater that puts up a sign: ‘Don’t bring candy in.’ People do it because it saves them money.”

The problem is, there’s more at stake than candy, he said. “We want to protect those who are legitimately handicapped by cutting down on fraud so that landlords’ hackles don’t go up every time somebody asks.”

Landlords know that anyone can go online and buy a letter that “prescribes” an emotional support animal. The Desert News set out to test how easy it was to obtain such a letter, and within a couple of hours had two in hand from separate sources – each for under \$100 and each documenting the “need” for an emotional support animal. That ease of providing so-called proof, coupled with what Smith describes as a dramatic increase in renters saying they “must” have an emotional support animal, has fueled skepticism that could make it harder for those who really need emotional support animals to have them.

The backlash is real and has already led to stricter policies. Airlines, which allow emotional support animals in airplane cabins under the Air Carrier Access Act, have beefed up rules, many requiring documentation 48 hours in advance, limiting emotional support animals to cats and dogs and requiring a

veterinarian’s note the animal is healthy. And states have been amending housing rules. The Utah Legislature, for instance, just made it a Class C misdemeanor to lie about the need for an emotional support animal or misrepresent a pet as being an emotional support animal.

## When animals alleviate pain

Kathy Klotz believes animals can be almost magical in their ability to help people in certain circumstances. As executive director of Intermountain Therapy Animals, she’s seen “kids abused and abandoned who often just shut down completely – and dogs make them wake up and start participating in life.” She’s seen seniors push harder to get better in physical therapy because animals are “huge motivators to keep doing what they need to do.” Sometimes, animals just brighten things up and people need that.

Emotional support animals, however, are supposed to do more than that. They are supposed to facilitate more abundant living for people who struggle with mental and emotional challenges.

That’s certainly been the case for Tiffany Thayne, 25, who credits her collie puppy Dusty with helping her mentally while keeping her active.

In high school, Thayne was in a car accident that left several of her friends seriously injured and another person dead, and she has since struggled with anxiety, depression and PTSD. Her symptoms worsened after her sister died from an illness in October. Thayne asked the therapist she’d been seeing for several years whether an emotional support dog might help. She got Dusty after her therapist agreed and provided a letter.

“He makes it so I exercise at least twice a day. When I don’t feel like getting out of bed, I have to get out of bed to take care of him,” said Thayne, a geology major at Brigham Young University. She also suffers from social anxiety and likes that Dusty makes her “get out of her shell” as strangers ask her about him when they go on walks.

Right now, Dusty offers support and comfort to Thayne, but she is also working on training him to become a service animal to perform a specific task: help keep her safe when she has night terrors and sleepwalks. Last summer, she broke her foot during one of her nighttime episodes.


“I ended up in a really dark place where I was having suicidal thoughts and couldn’t ever calm myself down, no matter how hard I tried.” A professional service dog trainer is teaching Dusty, and Thayne is helping him adjust to public places so he will be well-behaved in any circumstance.

“It’s really sad when people abuse the system. I don’t want people to think I’m doing that,” said Thayne. “There’s a big difference between how people treat their animals when they’re supposed to be a companion and a tool rather than

## Is it Too Easy to Obtain an Emotional Support Animal Prescription? Cont.

**3 types of support animals\***

*\*not always dogs*



Comparison	Service animals	Therapy animals	Emotional support
Animal welcome in public establishments	✓	✗	✗
Must tolerate a wide variety of experiences, environments, people	✓	✓	✗
May live with their disabled owners, even if "no pets" policy	✓	✗	✓
Primary role is emotional support through companionship	✗	✗	✓
Trained to assist just one person	✓	✗	✗
Provide emotional support and comfort to many people	✗	✓	✗

just a pet. "It makes it harder for people who actually need the dogs," she added.

Fruit Heights therapist Jeffrey Gregson has prescribed emotional support animals – but not often and not to everyone who asks. "I have had many requests, but only granted a few," he told the Deseret News. "I've had many millennials ask for it, often unwarranted. I find it beneficial for those who are alone and suffering from depression."

When Analisa Uribe, of Monmouth, Oregon, was 9, her father took his own life. She and her little sisters were home with him at the time. Uribe, 21, has since experienced anxiety, depression and symptoms of PTSD.

When she moved from Utah to Oregon for college, she struggled. "I ended up in a really dark place where I was having suicidal thoughts and couldn't ever calm myself down, no matter how hard I tried," she said.

Her therapist prescribed medication, but that made her feel like she was always in a fog. Her mom suggested she consider an emotional support animal – and her therapist agreed the right companion animal could help her a lot. Indeed, her miniature dachshund, Winston, has made all the difference, Uribe said.

She's learned physical pressure helps her PTSD and panic – and Winston knows instinctively when she needs help. "If Winston sees that I'm upset, he will climb up on me or lay on my chest," she said. Within minutes, panic subsides.

Marc Hallacker, 32, a maintenance worker in Salt Lake, said the initial reason he wanted an emotional support animal was because he wanted a dog and wasn't allowed to because of his apartment rules. But his long-time therapist agreed his need is real.

"I didn't want to cheat the system, but use the system," said Hallacker, who suffers from anxiety that stems from bullying in his youth.

A dog didn't end up being a good fit for him; he was too worried about what it might be doing when it was home alone and he said he doesn't handle uncertainty well. Instead, Hallacker now has a pair of English budgies, which he calls "cute little fluffers." The birds stay in a cage, but Hallacker benefits from having something to take care of.

Landlords don't want to take vital support from people who struggle daily in ways specifically helped by caring for and being loved by animals, Smith said. But the sheer volume makes it hard to not be cynical or want to just say no.

### Confusion about creatures

Misunderstanding about different types of helper animals complicates the issue. Most people know little about the roles animals are allowed to assume and the access each is accorded, Klotz said. There are three distinct categories of animals that provide different types of support:

- **Service animals** (usually dogs) are specially trained to provide specific assistance to people with disabilities, such as leading blind individuals. A service dog may be trained to alert before someone has a seizure or let someone who's hearing-impaired know the doorbell rang. A service animal helps one person and has the most access rights, basically welcome anywhere under the Americans with Disabilities Act.
- **Therapy dogs** have lots of training but no special access: They can go where they are invited – like hospitals or nursing homes or schools, where they bring pleasure or encouragement to patients, residents and students. Children who "read with a dog" lose self-consciousness about their lack of skills and forge new ones, for example. Therapy animals are owned by a person who volunteers with the animal as part of a team that provides service to individuals or groups in those different settings. The creatures are chosen for their calm temperaments and friendly personalities.
- **Emotional support or "comfort" animals** (usually, but not always, cats and dogs) are not specially trained like service or therapy animals. According to the Animal Legal & Historical Center at Michigan State University, though, each is a "companion animal that provides therapeutic benefit to an individual with a mental or psychiatric disability." A "prescription" from a qualified health care provider allows



## Is it Too Easy to Obtain an Emotional Support Animal Prescription? Cont.

them to use public transportation with the person they support or live in housing where animals might not be allowed, per Fair Housing Act rules. They are not granted access to public places, like restaurants or libraries, the way that service dogs are.

Klotz has seen challenges created for all three types of animals when people don't respect the rules. And she's particularly concerned that legitimate helper animals will be shut out in backlash over suspected abuse – for example, that therapy dogs won't be invited into places where they can be helpful if others misuse access given to emotional support animals.

Her concerns also include the danger untrained emotional support animals may pose to people and other animals in places like airplanes and airports. When an untrained dog bites a passenger on a plane or two untrained emotional support animals fight, access becomes harder for even well-trained animals.

### Web surfing for support

While landlords must trust that a letter from a doctor is valid, it's an issue made more complicated by what Smith calls "online certification mills," which sell letters prescribing an emotional support animal for a fee, no therapy needed.

The Deseret News decided to see how hard it would be to get an emotional support animal letter online without having a particular need (or even owning an animal). Reporter Erica Evans went after the cheapest option she could find easily: a website which offers airline and housing recommendation forms for \$79.

The website advertises "Live and fly with your pet legally and hassle free," and boasts 30,000 happy customers nationwide. She started filling out the form, but got interrupted after inputting only basic information, including her name and phone number. No worries; within a half hour the company called her, though she hadn't completed the online intake.

She was connected first to a doctor in California, where the receptionist asked, "Are you calling for a medical marijuana card?" Evans clarified that she needed an emotional support animal letter. That doctor passed Evans's case to another doctor, who identified himself as a cardiologist, internist and family doctor in Florida.

In an 11-minute conversation, the Florida doctor asked Evans about her mental state and how it interferes with daily life. He said his purpose was to learn whether she has a mental disorder that would allow her to qualify for an emotional support animal certificate.

Evans responded honestly that she has never been diagnosed with a mental or emotional disorder and has never seen a therapist or psychiatrist. She described how she feels when she is most anxious or sad and said her cat makes her feel better. The

doctor asked Evans how long she has been having problems but did not ask how frequently she experiences symptoms she described, such as trouble falling asleep and difficulty working when she is anxious.

"I'm looking for more, to be honest," the doctor eventually said. Then he listed issues that might qualify a person for an emotional support animal: panic attacks, PTSD, autism, brain damage, experience with sexual assault or not being able to hold a job or leave the house.

In response, Evans told him she didn't want to exaggerate her symptoms but that she had been having "a really hard time" based on recent life events.

Finally, he said, "I think we can OK this," and Evans received a PDF letter in her email that day.

Evans applied for and received a second letter signed by a licensed clinical social worker in New Mexico, a few hours after filling out a 10-minute multiple-choice questionnaire online and paying \$84. The website asked questions such as "How often do you feel overwhelmed by current life circumstances?" and "How often do you feel depressed or saddened?" Once again, Evans answered based on her real experience, exaggerating only slightly.

***"The problem is when someone abuses it, it hurts the people you're really trying to help."*** - Paul Smith, executive director of the Utah Apartment Association

Two questions asked for "detailed" responses. Evans answered with a few short sentences each:

Evans never talked to the social worker in New Mexico. But the letter she received said Evans has an "emotional and mental disability" and qualifies for protections under the Americans with Disabilities Act, the Fair Housing Act and the Rehabilitation Act.

Neither health provider responded to a request for comment on this story.

While the Deseret News applied for and got letters from two online sites, a search for "ESA letter" brought up several dozen vendors – as well as articles about how vendors are "flooding" college campuses and rentals with "bogus" claims.

But he warns that for landlords, the issue isn't going away. If criminalizing misrepresentation of the animals isn't enough, he said landlords may eventually support efforts to target doctors who "prescribe" animals that aren't medically necessary. The ability to get letters online without forming a relationship with a therapist has made landlords leery and prompted laws like the one just adopted in Utah, Smith said. Landlords hope people who might be tempted to abuse rules allowing emotional support animals will take note of laws and other efforts to curb misuse.

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## GMHA passes House Bill #212 through the Georgia House of Representatives

By C. Jay Hamilton

Georgia Manufactured Housing Association, GMHA, has moved Georgia House Bill #212 along at a rapid pace. Last year's session caused us to use a lot of political capital with many of the long-term legislative relationships which have always assisted us in consistent movement of our legislation; Georgia House Bill #871 which was a 2% Tax Exemption on M/H Real Estate Loans, and Georgia House Bill #381 which created a new Abandoned Housing Act.

GMHA was not expecting to be pushing another controversial piece of Legislation this session, however, six months ago the Georgia Department of Banking and Finance stated they would require M/H Retailers to become Licensed Mortgage Brokers, or, we could not handle a customer's financial documents, even to send them to the lender on their behalf. The cost of the initial license is about \$2,000, but the primary concern is the financial liability placed on our Sales Centers. This forced us to draft Georgia House Bill #212

At the beginning of the Legislative Session, the first committee to hear our bill was the House Banking Committee. They suggested, to increase this bill's chances of passing, GMHA should consider negotiating its language with the Department of Banking and Finance, the DBF. The DBF offered to craft language agreeable to all before moving forward, moving from their previous "we don't negotiate" position. Mediation with DBF attorneys led to the recent passage of House Bill #212.

The bill has now passed the Senate Banking Committee in its first hearing, and the Second Reader should be completed on the Senate Floor before the publishing of this article. After Rules Committee hearings and positive committee votes it will be taken to the Senate Floor for a full vote by the end of the month.

Our next two pieces of planned legislation are "Extended Length" on the homes we ship in Georgia, from 76' box size to up to 78 feet overall size. The other piece of legislation would limit the abuse which occurs with "Emotional Aid Service Animal Certification" making it a crime to misrepresent a disability and limit the type of animal to non-vicious breed dogs and cats only.

The thing to remember is these issues are important and are for the betterment of the manufactured housing industry as a whole. It's imperative that everyone in this industry support their state's Manufactured Housing Association and recognize the difference their MHA makes every day.

*C. Jay Hamilton, Executive Director  
Georgia Manufactured Housing Association  
<http://www.gmha.com/>*



## Secretary Carson Highlights Manufactured Housing in DC

Manufactured homes have been delivered to the National Mall in Washington, D.C. in preparation for a five-day event. MHI members will be displaying three manufactured homes - a single-section, a traditional multi-section and a "New Class" home - at HUD's Innovative Housing Showcase that opens on Saturday, June 1. The event will be open to the public, but will also focus on different constituent groups each day, including state and local governments, federal government officials and a Capitol Hill day.

HUD Secretary Ben Carson has provided interviews to a number of different media outlets in front of the manufactured homes on the Mall throughout the day including Bloomberg and local network affiliates.

MHI's Homes on the Hill Summer Legislative Fly-In will correspond with portions of the event on June 3 and 4 and we'll host an open house reception near the manufactured homes on the National Mall. All MHI members are welcome to participate in the Fly-In.

Visit [www.manufacturedhousing.org/fly-in/](http://www.manufacturedhousing.org/fly-in/) for photos, more information and to view some of Secretary Carson's media interviews.

*By Manufactured Housing Institute, The national advocacy group for the manufactured housing industry in Washington, DC*





# MHR

## MANUFACTURED HOUSING REVIEW

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