Talking Points about Mobile Homes, MH Parks, Rent Stabilization Ordinances and Others
5/18/22 by Ada Hand

1. **MYTH: Park owners lose money on MH Parks.**

FACT: Park Owners try to buy parks that have homes selling for more than they would on the dealers' lots. Park Owners increase the rents on the residents which results in the park appearing of higher value. Park Owners state that, simply by increasing rents and "taking back" the equity that was "held captive" in the Residents' homes by virtue of the low rents being charged by the prior owner, they are able to increase their own equity in a short amount of time. (Source: **Facts about investing in Manufactured Home Communities (MH Communities or "Parks") that set them apart from investment in commercial office, retail, industrial, garden apartment, and other types of "core" real estate assets by Bruce Stanton, GSMOL)**

2. **MYTH: MH Park Owners & Apartment Owners have the same difficulties with renters.**

FACT: On the contrary, Owners have a larger leverage over MHP residents because, should the Resident fall behind in rent, the Owner can get a lien on their home, resulting in the Resident losing title to their home and losing their investment/equity. Apartment Residents are simply out their rental deposit and are free to move elsewhere.

3. **MYTH: Park Residents, when disgruntled about rent increases, can simply move their home out of the park.**

FACT: MHs are very expensive to move, may not survive a move, and may not be able to be placed in another MHP that only wants newer models. Most MH Residents try to "weather" the storm of rising rents as long as they are able.

Unlike retail, office, or industrial property where a tenant that "goes dark" can substantially impair your cash flow and perhaps your ability to meet debt service payments, Park Owners do not have this risk in a MH Community investment. MH Communities have many residents each representing a small part of the revenue stream. Even if 10% leave due to a higher rent level, the rent increase covers the increase in vacancy loss. This is called Diversification of Tenant Risk. (Source: : **Facts about investing in Manufactured Home Communities (MH Communities or "Parks") that set them apart from investment in commercial office, retail, industrial, garden apartment, and other types of "core" real estate assets by Bruce Stanton, GSMOL)**

4. **MYTH: Mobile Homes represent an outmoded model of home ownership.**

FACT: There is an increasing demand in face of a decreasing demand and an increase in "baby boomers."

It is generally difficult to get approvals for new MHPs (NIMBY effect), especially where land is very valuable. While supply goes down, demand goes up as older people sell their homes, downsize, and move to a less expensive mobile home or become "snowbirds" with a second home. This results in upward pressure for rents.

During 2008-09, during one of the worst real estate markets in decades, one investor bragged his portfolio of parks increased between 8-60% with no material deterioration in occupancy rates. While other "core" real estate saw rents decrease and bankruptcies mount, this did not occur for MHP investors.

In addition MHP Owners are able to raise rents at least once a year and sometimes more often. This ensures a cash flow that refinances debt as it matures. This ability is not available to other real estate property owners due to long-term leases. Due to MH Residents not being willing to move or sell their home to save $20, $30, or more, the Park Owner has guaranteed income not available to other real estate investment owners.

5. **MYTH: Once a MHP is purchased, there are few options for the Park Owner to raze the structure and develop "a higher and better use."**

FACT: Most investment property requires significant funds to develop the improvements. Office and retail space may have long-term lease rights that prevent conversion. MHPs, on the other hand, can be vacated rather quickly and don't require substantial common area improvements. One Park Owner shared that the ability to sell the MHP to the residents at a premium or convert to a condo, is a profitable exit strategy as is selling to another interest MHP investor. . (Source: : **Facts about investing in Manufactured Home Communities (MH Communities or "Parks") that set them apart from investment in commercial office, retail, industrial, garden apartment, and other types of "core" real estate assets by Bruce Stanton, GSMOL)**

6. **Myth: MH Park Owners must invest a significant portion of their own funds to purchase a park.**

FACT: Even when other housing markets struggle to find financing, MHPs still attract public (Fannie Mae and Freddie Mac) funding and bank and insurance company loans. (Source: : **Facts about investing in Manufactured Home Communities (MH Communities or "Parks") that set them apart from investment in commercial office, retail, industrial, garden apartment, and other types of "core" real estate assets by Bruce Stanton, GSMOL)**

7. **MYTH: MH Park Owners face high expenses to operate a park.**

FACT: MHP operating costs are easily defined and underwritten, i.e., below-ground utility infrastructure, roads and a clubhouse. Unexpected and costly repairs to improvements are rare. Some costs can even be passed through to the Park Residents. Even in parks with an RSO, Park Owners can submit a request to pass through infrastructure costs to the Residents. (Source: : **Facts about investing in Manufactured Home Communities (MH Communities or "Parks") that set them apart from investment in commercial office, retail, industrial, garden apartment, and other types of "core" real estate assets by Bruce Stanton, GSMOL)**

8. **MYTH: MH Residents are happy living in their parks without rent stabilization.**

FACT: Rent stabilization results in housing stability. Housing stability is associated with physical, social, and psychological well-being; higher educational achievement by the young; and benefits for people of color. These gains are difficult to price into cost-benefit analyses, but they are real nonetheless and they help to explain why governments are willing to "distort" the free market to promote home ownership. (Source: Rent Matters: What Are the Impacts of RSO Measures?)

9. **MYTH: RSOs fuel gentrification** (by incentivizing landlords to evict tenants and convert rental units into condominiums – see Diamond, McQuade, and Qian 2018:18).

FACT: Beneficiaries of rent stabilization were 10 to 20% more likely to stay in their homes long-term. Rent regulations were found to confer nearly $3 billion in benefits on incumbent renters in the form of lower rents, but these welfare benefits were offset by decreases in available units (as landlords utilized loopholes allowing them to remove units that would be stabilized from the market) and subsequent rent increases in decontrolled units. While this implies a sort of wash, the researchers note that 42 percent of the offsetting welfare loss was experienced by future residents – those yet to move to [San Francisco] who presumably had higher incomes. Because of RSOs, the net benefit for incumbent residents was positive. Moreover, given the Cambridge finding about overall rent hikes after decontrol combined with research on vacancy control in California, one wonders whether the displacement from gentrification would have been even worse had rent regulations not been in place in the face of the tech boom. (Source: Rent Matters: What Are the Impacts of RSO Measures?)

10. **MYTH: RSOs are a new trend.**

FACT: Not true. History shows that rent regulations often emerge when there is population migration chasing economic growth following a period of low housing production. Rent caps and ceilings existed in medieval France, Spain, and Italy (Willis 1950). In the US, rent protections started during WWI because of low vacancy rates and massive labor-market restructuring for war production (Schaub 1920). In WWII the federal government feared that landlords would take advantage of the relocating workforce and rising rents would stall war production. In 1942 it established an independent agency to freeze rents of about 80% of the nation's rental housing. After WWII, NY City passed peacetime rent regulations from 1920-1929. The effort began as a means of stopping what were perceived as unjust evictions but evolved into regulations to prevent "unjust, unreasonable, and oppressive" increases in rent, or rent increases of more than 25% (Keating, Teitz, and Skaburskis 1998:152). Fetter (2013) found that wartime rent regulations significantly contributed to an increase in wartime homeownership. During the Vietnam war, President Nixon instituted a wage and price control program due to rapid inflation. During the late 1970s, rent regulation re-emerged as a result of increased political activism and ongoing inflation due to the oil crisis. Proposition 13 initially was to also benefit tenants with lower rents that would result from a trickle-down of lower taxes on businesses and homes. This didn't happen and, in fact, rents increased more than 40% in the decade after Prop 13 passed. With California now the fourth mot unequal state in the country with the highest percentage of all states of those considered poor using a housing-adjusted poverty measure, it is not surprising that rent regulations have regained momentum.

11. **Myth: RSO is the same thing as Rent Control.**
FACT: RSO is not the same as Rent Control. In the 1970s "moderate rent control" or "rent stabilization" entered the scene. They typically permit an automatic percent rent increase and include vacancy decontrol, which sets units back to market rate after a tenant leaves (Arnott 1995). RSOs generally also allow landlords to petition to pass some of the costs of capital improvements and building remodels onto tenants. These characteristics ensure a "fair return on investment," which courts have defined as a return commensurate with enterprises of similar risk level (Keating 2998, Baar 1983, Gilderbloom 1981).

12. **MYTH: RSOs for mobile home residents do not help renters in non-controlled units.**
FACT: Research shows that rent regulations could help keep rent more affordable for all renters (Rent Matters 2018).

13. **MYTH: "Mom & Pop" mobile home park owners are financially hurt when RSOs take place.**
FACT: Since Mom & Pop park owners are more likely to charge lower rents and negotiate with tenants, as a group they are likely less impacted by moderate rent regulations (Gilderbloom et al. 2009; The Furman Center for Real Estate and Urban Policy and Johns Hopkins Institute for Policy Studies 2013).

14. **MYTH: Rent Regulations Decrease Housing Stability.**
FACT: Nearly every academic study finds that rent stabilization decreases tenant mobility and increases housing stability for rent-stabilized residents. Older tenants and long-term residents appeared to benefit most from RSOs and have the longest sustained tenure. Rent regulations help to ensure community continuity, aging in place, and retention of a workforce in high-cost cities. Without RSOs, landlords raise rents as a way to force tenants out so they can find more affluent renters willing to pay the increased rents. Evictions are becoming epidemic and can be devastating for families and communities, not only in the short-term but for generations Desmond 2012; Desmond and Gershenson 2016; Desmond and Kimbro 2015).

15. **MYTH: Housing Stability Is Not Important to Renters.**
FACT: While US tax and fiscal policy has generally prioritized the economic stability of homeowners over renters, some researchers are calling these tax benefits and social policies as a "hidden welfare state" for owners over renters (Howard 1999). In effect they make housing and finance more stable for those with more wealth, i.e., middle- and upper-income residents. This leaves renters missing these economic benefits and struggling with forced mobility.

Physical, social and psychological wellness: Research shows a correlation between forced moves and stress (e.g., anxiety, depression, etc.) and well-being (substance abuse, premature mortality, etc.) (Bures 2003; Desmond and Kimbro 2015; DeWit 1998; Exeter et al. 2015; Fowler, Simpson, and Schoedorf 1993; Liu at al. 2014; Morris, Manley, and Sabel 2018; Oishi and Schimmack 2010; Stokols and Shumaker 1982). Subsequent studies examined reasons for tenants moving such as eviction, foreclosure, divorce. They found those who moved for financial reasons were 2.6 times more likely to report fair or poor health, 2.5 times more likely to experience an anxiety attack, and nearly twice as likely to experience depression than those with no instability (but who moved for other reasons). Introverts (as compared with extroverts) had even higher rates of mortality when they experienced frequent moves as children. Research also shows strong effects on women (more so than men), children (even in utero), and Black women.

Educational attainment: Frequent moving can disrupt children's learning and social support systems, which can dampen learning and exacerbate behavioral problems. Students who repeatedly change schools are more likely to lag behind their peers in reading and math and more likely to repeat a grade, even when controlling for demographic characteristics. Children from low-income families are particularly at risk since low-income households have the highest mobility rates. Chronic stress in childhood results in impaired working memory later in life. Moving frequently results in lower high school graduation rates.

16. **MYTH: RSOs do not benefit the community as a whole.**

FACT: Not true. Spending more than 30% of income for rent and utilities (a standard considered "housing-burdened") not only takes away from discretionary spending but also from everyday expenses, like food, childcare, and medicine.

Manuel Pastor, Vanessa Carter, & Maya Abood. Oct 2018. *Rent Matters: What Are the Impacts of Rent Stabilization Measures.* Los Angeles, CA: USC Dornsife Program for Environmental and Regional Equity.