

California's Housing Crisis & Manufactured Housing Communities

Review Draft, September 2019

California
Coalition for Rural
Housing

Thank You

California Coalition for Rural Housing staff would like to thank the following people and agencies for their ongoing support of this important work.

We are so grateful for your straightforward feedback and seemingly unending patience for phone calls, emails, surveys, more emails, phone calls, meetings, and more meetings ... and we know the conversation is only just beginning.

CCRH Member Organizations and Board of Directors

USDA Rural Development California Office

California Department of Housing and Community Development

California Housing Finance Agency

Corporation for Enterprise Development and our partners in the I'M HOME Network

Morgan Stanley

California Coalition for Rural Housing

Formed in 1976, CCRH is the oldest statewide association of affordable housing developers and advocates in the nation. Its mission is to improve the living conditions of rural and low-income Californians through the production and preservation of decent and affordable housing and creation of sustainable rural communities. CCRH's members are nonprofit housing developers, state and local government officials, lenders, housing advocates, and social service providers.

CCRH achieves its mission through a comprehensive program of training and technical assistance, asset-building, leadership development, community and tenant organizing, research, public education, and public advocacy. CCRH's programs include rural housing capacity development, American Indian tribal housing capacity development, foreclosure disposition and neighborhood stabilization, the Internship for Diversity in Nonprofit Housing, and the Annual Rural Housing Summit.

A Note on Terminology

For a complete guide to definitions, codes, and standards of each housing type, please see CCRH's original Manufactured Housing Best Practices guide at www.calruralhousing.org

Factory Built Housing: Usually a general term for a housing product where most or all of the home is built at an industrial facility. In California and a few other states, the term refers to a specific type of factory-constructed housing that complies with state building codes.

Modular Homes: Modular homes are constructed at a factory in multiple three dimensional boxes or modules. In California and a few other states, modular homes are called “factory-built housing”. These components are then transported to the intended site of use and joined together upon a foundation.

Mobilehomes: A generic term that refers to factory built residential housing units completed prior to the establishment of federal standards effective in 1976. Construction of these homes were inconsistent, and now these homes are in need of great repair. Because of these factors, this term has often been associated with lower quality homes or travel trailers, and the term often carries stigma.

Trailer: Usually referring to low quality mobilehomes or travel trailers. Sometimes confused with recreational vehicles (RVs). This term carries extensive stigma and has largely been rejected by those in the field, although some residents have ‘reclaimed’ the term as a source of pride.

Coach: Often used interchangeably with trailer or mobilehome. While it does not carry the same level of stigma as trailer, it is no longer widely used.

Manufactured Homes: The focus of CCRH's work are residential units built in a factory to standards established by the Manufactured Housing Construction and Safety Standards Act of 1974. These homes are technically mobile, but this mostly refers to moving the home from the industrial facility to the permanent site of the home. Only 19% of today's manufactured homes have ever been relocated after being placed.¹

Mobilehome Park: Most often this refers to the official definition of a semi-permanent community of mobilehomes and manufactured housing that is formally registered with the California Department of Housing and Community Development. However, it is sometimes used to generally refer to *any* community comprised of RVs, mobilehomes, or manufactured housing.

Trailer Park: Referring to mobilehome parks as well as communities comprised of of RVs. Like the term trailer itself, it carries extensive stigma, but is sometimes used intentionally by residents. Often trailer parks refer to unregistered, unregulated, or informal communities formed by mobilehomes and RVs.

Manufactured Housing Community: In line with updating language to better represent the quality of homes and to combat the stigma associated with older, poorer quality homes;

¹ Table 1-2. Height & Condition of Building. American Housing Survey, National Tables: 2009

manufactured housing community is the most accurate term to use – especially when referring to communities registered with the state.

Polanco Park: Used to describe small, unregulated mobilehome parks in great disrepair without basic infrastructure like clean water or sewer systems. These parks arose after the passing of the 1942 Farm Labor Housing Protection Act which was an emergency measure that allowed growers to build parks of up to 12 units without permitting. Opportunistic landlords took the opportunity to create over 400 of these unpermitted parks without basic health regulations. The parks are named after the author of the bill, Los Angeles Assemblymember, Richard Polanco².

²<http://californiawatch.org/health-and-welfare/edge-paradise-coachella-workers-live-grim-conditions-12877>

Introduction

In California, at least one million people live in more than 5,000 registered manufactured housing communities – or mobilehome parks. Even more Californians live in unregistered manufactured housing communities, in individual manufactured homes on private land, or in American Indian Tribal communities. These homes make up over 4% of all housing across the state and are more concentrated in rural areas. Manufactured home communities are located everywhere from remote areas of the Sierra Nevadas to the coasts of Santa Monica and in the heart of Silicon Valley. While the price of homes, lots, and land vary widely across communities, manufactured homes make up a significant portion of California’s limited affordable housing stock.

In the last 10 years, over 4,700 mobilehome spaces have disappeared. With the recovery of the housing market, these communities are being marked by owners and investors for acquisition and conversion to other uses, leading to the displacement of many low-income residents and putting thousands of others at risk. For many, moving into new communities or upgrading their homes, will be impossible; and there are no other affordable options for owning or renting outside of these parks in the communities where they live.

Process Summary

In September of 2015 CCRH held a Manufactured Housing Convening in Sacramento California. From across the country over 80 experts in the fields of manufactured housing, affordable housing preservation, and housing financing gathered to think critically about the challenges and opportunities facing California’s manufactured housing communities. There, these experts prioritized a list of policy and program action items that California advocates and agencies could take to aggressively move forward with preserving manufactured housing communities. This convening launched the CCRH Mobilehome Park Acquisition and Preservation Project.

The Acquisition and Preservation Project has been focused on educating the public about the importance of park preservation and showcasing successful resident and nonprofit buyouts. CCRH and its members have been working to address the main program and policy obstacles that prevent successful park acquisitions and preservation, and to dispel myths about the use of manufactured housing as a replacement strategy for units beyond repair. Ultimately, the goal of this initiative has been to mobilize existing and new public and private capital to protect and improve the state’s manufactured housing communities.

Central to this work has been the numerous conversations, key informant interviews, outreach, and strategy sessions with CCRH members and partners, government agencies, and advocates. Specifically, all CCRH contacts were invited to participate in a survey identifying their experience in manufactured housing community acquisition or developing with manufactured homes. From here, CCRH staff followed up with emails and phone calls to individuals who responded or were identified in the survey. Several months were spent in phone interviews with CCRH members in order to identify manufactured housing communities to feature as case studies. Simultaneously, CCRH staff and members met with CalHFA, HCD, and USDA RD to discuss policy, programmatic, and regulatory barriers and opportunities.

CCRH members and board of directors participated in roundtable discussions about their experience with manufactured housing communities. Most recently, CCRH's annual Rural Housing Summit featured two strategy sessions focused on manufactured housing community and individual home preservation. The members who were able to participate in these conversations reported having experience with at least 75 mobilehome park acquisitions accounting for over 639 units of manufactured housing, however, these estimates are conservative.

Future research, outreach, and convenings will increasingly occur outside of CCRH's membership. There are many partner coalitions with extensive experience in manufactured housing community preservation that were not included in the initial, member- focus of this first phase of outreach and assessment.

Please note that the conclusions and recommendations presented here are based on the cumulative feedback, engagement, and research of this entire process. While the case studies included here have been instrumental in informing this process, by no means do they serve as the sole basis for analysis.

Site Selection

These case studies were selected to highlight and build upon CCRH member experience. These case studies by no means serve as an exhaustive sample of manufactured housing communities within California, or even of CCRH member organizations. For a broader cross section of California manufactured housing communities, please see the additional resources listed at the end of this document.

Several sites were considered as possible subjects for these case studies. Specifically, Mutual California's community, Westerner; Casa Del Sol by Community Housing Opportunities Corporation (CHOC) and Rural Community Assistance Corporation (RCAC); and Leisureville Estates, a cooperatively owned senior community; are all strong examples of sustainable, innovative park preservation models in just the Sacramento area alone.

CCRH chose to feature sites that may not necessarily be indicative of all acquisitions but are nonetheless scalable and replicable. The sites featured here all include the use of manufactured housing communities as low-income, rental housing owned and operated by a nonprofit affordable housing developer. In cases of mixed rental housing and homeownership models, the hope was to feature sites where homeowners have entered into limited equity agreements or affordability covenants, therefore ensuring the continued affordability of the community overall.

Case Study

Las Palmeras Estates

Summary

Location: Coachella, Riverside County

Date of Project Completion: 2000

Lead Organization/Partners: Coachella Valley Housing Coalition

Number of Units: 121 as well as community room and swimming pool

Ownership structure: Homeowners Association, Low-income, single family mobilehome housing comprised of 96 units where CVHC owns the mobile units and land (operated similarly to apartment rentals), 18 units are owner occupied, and owners lease the land, and 7 units are under no program (owners own both the land and the mobile home) CVHC has 95% ownership of the HOA

Financing sources used:

Federal: Affordable Housing Program “AHP”

Local: \$850,000 from County of Riverside and Cal HOME funding

State:

Cal HFA - SFRAP

9% Tax Credits

Original Ownership Structure

Before CVHC purchased and expanded the park, the majority of park residents owned their own homes and rented spaces, while some owned their homes and the spaces. CVHC bought both the park and the land adjacent, and brought in manufactured housing as single-family, low-income rental housing. Park residents were members of a Home Owners Association (HOA) and, after purchase, CVHC took 95% ownership of the HOA. The result is a manufactured housing subdivision of 121 homes, 25 units of which are owned by individual residents (most leasing the space from CVHC), and the rest CVHC operates as low-income rental housing.

Infrastructure

When CVHC purchased Las Palmeras Estates, it was essentially half of an incomplete manufactured housing subdivision. Much of the infrastructure was in place for the full subdivision, but during an economic downturn, the rest of the development went unfinished. The only substantial infrastructure CVHC had to replace was the drainage systems.

Status of Units

As CVHC did not inherit any units, they were instead able to bring in new manufactured housing products of the highest quality. The units themselves were three and four bedroom homes and they remain in excellent condition over ten years later.

In order to qualify for use of Low Income Housing Tax Credits, CVHC's units had to be affixed to permanent foundations. This increased the overall cost of the development, and did not fully render the project more affordable than a stick-built multi-family housing development.

Financial Factors

Both at purchase, and now into operation, CVHC has encountered a problem that plagues many nonprofit mobilehome park owners. Often, residents have purchased manufactured housing units, without acquiring the official title of the unit. In the case that a resident decides to sell or – as sometimes happens, abandon their unit – and CVHC takes ownership of the unit for rental or resale, locating and transferring this title is both complicated and costly. These complications take up considerable staff time and agency resources.

While the new units are all rented as low-income housing serving those at 80% AMI and well below, the handful of units owned by residents themselves do not officially meet any affordability requirements. It is likely that the owners of these units happen to fall at or below 120%AMI, however CVHC does not track income information for these residents. Furthermore, CVHC does not have any affordability covenants in place should the owners choose to sell their units or their spaces.

Project Identification, Community Dynamics, and How the Partnership was Established

CVHC has a longstanding history in the area and is often made aware of possible project and land purchases. Las Palmeras Estates came to CVHC's attention when the half-finished subdivision was going into foreclosure and it became clear that brokers in the area were not interested in purchasing the park.

Community Engagement

At the time of purchase, many residents had not been paying HOA dues for many years. This was especially pervasive once the park went into foreclosure, as residents felt that the HOA served no purpose. Representation on the HOA is tied to the number of units owned, therefore, when CVHC took on 95% ownership in the HOA, this further disincentivized the participation of residents. One of the greatest challenges CVHC had to overcome was in helping residents understand that, not only did they have to pay into the HOA, but that their participation was essential to the quality of their community. CVHC had many meetings with residents to help them understand the role of the HOA in maintaining community amenities and infrastructure, and helped residents to catch up on unpaid HOA dues. The improved community green spaces and grassy recreation areas, the community and events room, and the pool helped illustrate the importance of the HOA and paying dues. Now resident-owners are engaged in the HOA, willingly pay dues, and have established a reserve fund for future park maintenance. CVHC has worked to keep the HOA dues low, at just \$40 a month, CVHC continues to host HOA meetings, and to work with residents in that space.

Critical Success Factors

CVHC's experience with manufactured housing products and development made this project seem effortless. The organization's long-standing relationship with the Coachella community and the history of working with community members helped position CVHC for success in leading conversations with the existing owners.

Project Elements

As noted, CVHC purchased the subdivision, which included nearly complete infrastructure and a community of 25 resident owners. CVHC developed the vacant land as single-family, low-income rental housing using 9% low-income housing tax credits. This process functioned similarly to more traditional multi-family rental housing developments and followed similar development timelines.

Similar to CVHC's apartment communities, Las Palmeras Estates features public green spaces, a community room for events and services, and a pool. During development, CVHC removed a small, inadequate laundry room, and for the first time, instead invested in washers and dryers for each home.

The only challenge directly associated with the use of manufactured housing itself, was when the manufactured home distributor faced a back-log of the product. CVHC had to scramble to finish the development on time.

Project Financing

As described, Las Palmeras Estates was a half built subdivision, and CVHC bought the balance of the project. CVHC installed over 70 manufactured housing units to operate as low-income rental housing. 9% low-income housing tax credits were central to the development, and other funding sources included use of the federal Affordable Housing Program (AHP) funds, CalHFA SFRAP program, and \$850,000 from County of Riverside and Cal HOME funding.

Lessons Learned

CVHC has found that there are distinct differences in operating as a majority owner of an HOA. In a more straightforward HOA or a resident-owned cooperative, maintaining common spaces and negotiating management is equally shared. Likewise, in a traditional mobilehome park with a common area owner, this management is more direct. Instead, CVHC has found itself as a majority owner within an HOA that still must account for a minority membership. This adds to the complexities of decision-making, as CVHC will undoubtedly carry a larger burden in providing for the park as a whole, but still must answer to their partner members.

Conclusion

Paseo De Los Heroes II is a strong example of combining an existing manufactured housing community of resident-owners with the expansion of raw land development for rental housing using low income housing tax credits. The unique situation of raw land with existing infrastructure further made this an attractive project. The unique composition of the HOA with the nonprofit majority owner also serves as model for addressing possibly complex ownership structures during nonprofit acquisitions. On the other hand, the common challenges associated with the sale of units without proper titling continues to plague CVHC.

Las Palmeras Estates was the first gated community created in the town of Coachella – it feels less like a mobilehome park, and more like a beautiful subdivision. CVHC reports that it is performing well as a central part of their overall portfolio.

Case Study

Mitomkai Way

Summary

Location: Sherwood Valley Rancheria, Willits, Mendocino County

Date of Project Completion: 2012

Lead Organization/Partners: Northern Circle Indian Housing Authority, Sherwood Valley Band of Pomo Indians

Number of Units: 12

Ownership structure: Sherwood Valley Band of Pomo Indians owns and rents to tribal community members

Financing sources used:

Federal:

Indian Community Development Block Grant (ICDBG)

USDA

Native American Housing Assistance and Self Determination Act (NAHASDA)

Title IX loan

US Indian Health Services Grant

Local: Sherwood Valley Band of Pomo Indians Tribe funding

Original Ownership Structure

As this was a development of raw land, there were no previous individual owners on the land. Sherwood Valley Band of Pomo Indians had to purchase the land and brought it under trust into the reservation.

Infrastructure

Often tribal communities must navigate with the city and county to put in place special districts for water and sewer. However, the Mitomkai development was straightforward, and Northern Circle was able to bring in all necessary infrastructures directly.

Status of Units

As noted, there were no previous units on the site, and so new, top of the line manufactured housing was brought in for the development.

Financial Factors

Sherwood Valley Rancheria is located on Federal Trust Land belonging to the federally recognized tribe. Because Sherwood Valley Band of Pomo Indians is a sovereign government operating on federal lands, many state and local funding sources are not available to support

development. Therefore, Northern Circle relied heavily on tribal-specific funding sources to finance the development.

Project Identification

In 1995, the tribe in partnership with Northern Circle Indian Housing Authority identified the land for development of tribal housing. The land was adjacent to the reservation but did not belong to the tribe. Northern Circle and the tribe had an agreement with the County of Mendocino that the tribe could purchase land out of the Williamson Act³ from the County, and then bring it under trust to become part of the rancheria. However, this was not an acceptable arrangement with the City as discussed below.

Community Dynamics

The City refused to put the land into trust for Sherwood Valley. Many community members spoke out against the Tribe's acquisition and development of the site. One community member brought litigation against the tribe over environmental concerns of development on the site. Eventually, the tribe was able to take ownership of the land, however, shortly thereafter, community members and the City would not approve the tribe's development plan. Many people were concerned that any housing, but especially manufactured housing, would be aesthetically displeasing. To overcome community resistance, Northern Circle and the tribe agreed to only develop on the backside of the property, behind a large hill, for the next decade so that all housing would not be visible to those not on the reservation. These negotiations began in 1995 and carried on for over a decade. Unfortunately, this resistance to tribe's acquisition and development of land outside of reservations is often contentious, and par for the course for many tribal development efforts. Northern Circle and tribal leadership held specific community meetings with nontribal members to address issues head on and to help community members get to know their American Indian neighbors.

How the Partnership was Established

Northern Circle Indian Housing Authority has had longstanding relationships with many of the American Indian Tribes in Northern California. Instead of operating their own tribal housing departments, many tribes have contracted out their housing development, management, and resource cultivation to Northern Circle. This formal partnership had long been in place at the time of this project.

Community Engagement

It can be especially difficult for tribal communities to accept manufactured housing. For decades, the federal government has placed manufactured housing units on tribal lands to address the shortage of tribal housing. In the past this was done through more formalized federal housing programs, and recently, these have been FEMA trailers that were used as temporary housing elsewhere. These units were not designed to serve as permanent housing for families, and they are known to rapidly fall into disrepair. However old these trailers are, they are not relegated to the past, as many of these units remain in tribal communities and many families still live in these dilapidated units.

³ The Williamson Act of the US state of California (officially, the California Land Conservation Act of 1965) is a California law that provides relief of property tax to owners of farmland and open-space land in exchange for a ten-year agreement that the land will not be developed or otherwise converted to another use.

Therefore, Northern Circle and Sherwood Valley Band of Pomo Indians worked hard to ensure that they brought in only the highest quality manufactured housing products for this development. They spent time with residents, at Tribal Council meetings, and with tribal leadership explaining the differences between modern manufactured housing and previous products.

Critical Success Factors

With over a decade of negotiations, litigation, and community engagement, Northern Circle and the Sherwood Valley tribe were persistent in their efforts to provide housing for tribal community members. Without this commitment to the tribal members they served, their dedication to tribal advocacy, and the allocation of staff and agency resources this project would not have come to fruition. It is very likely that, in other hands, this land may still be standing undeveloped to this day.

It was also Northern Circle's experience with manufactured housing products that helped ensure an efficient and sustainable development. Northern Circle's attention to detail and expertise was evident in the quality of the materials and finishes used in the homes themselves, in building on porches and car-ports to help make the units practical for family use, and in the training of maintenance staff in appropriate upkeep into the future. This expertise helped all of Northern Circle's member tribes to overcome the stigma and trauma associated with the historical use of manufactured houses and for tribal leadership and community members to embrace manufactured housing as an attractive option for their communities.

Project Elements

The project consists of a total of 12 family units, each with three or four bedrooms. Each home has a ramp leading to a porch and includes a carport. The units are affixed to perimeter foundations; however, they are still on blocks. The foundations are used help to prevent flexing in the floor. After the land was purchased, four units were brought in and as additional funding was secured the other eight were put in place.

The development operates as rental program under the tribe and in conjunction with Northern Circle. Although the use of NAHSDA requires that residents earn 80% or less of Area Median Income (AMI) , it is estimated that all residents are in fact at 50% AMI, 30% AMI, or even lower. Rents are based on families' income, and so this fluctuates. However, the cost of maintaining these homes is covered through the tribe's operating budget and there was little debt incurred in the development.

Project Financing

Federal Indian Community Development Block Grant funding from HUD was used for developing part of the road, USDA grants covered the cost of installing water and sewer. Indian Health Service grants and funding from the tribe itself were used to complete infrastructure before NAHSDA funds became available. The Tribe made use of a Title IX loan to cover the cost of the 12 units and the addition of the porches and the carports.

Lessons Learned

In the past they had experienced challenges based on the location, topography, or other site specifics. Many reservations are in remote, rural areas and transporting the manufactured

housing products can prove difficult. Some sites have required removing the trailer off the truck to fit narrow areas, there have been delays due to road work or bridges under construction on the only road granting access to the site. Sometimes products are damaged during transportation over rocky, uneven, steep, or unpaved roads leading to the remote sites. Sheetrock and windows – even within hardy board – can crack. However, as this site was not nearly so remote, the supplier was located much closer to the development, and the products were so sturdy, these transport issues were not a problem at Mitomkai Way.

Due to their extensive experience with manufactured housing, as well as the mistrust many residents had of manufactured housing products, Northern Circle and the Sherwood Valley tribe made sure to invest in the highest quality products possible. They looked closely at product specifications and purchased models that were more structurally sound than others. They selected models with hardy board siding; other fireproof and more durable materials; and two by six, 30 year comp shingles. They opted to improve the subfloor and invested in upgraded fixtures and finishes. Each time they had found a weakness in previous models they were sure to avoid it in this new development.

To help ensure that these homes further withstood the test of time, Northern Circle and the tribe had their maintenance teams specially trained in the management of the units. Tribal property management worked with installers to properly make improvements and to adjust the foundations underneath. Management has specific foundation assessments every six months to a year. Additionally, in order to prevent the wear and tear associated with overcrowding – which is common in tribal communities – management conducts annual inspections to help trouble shoot any maintenance concerns.

Conclusion

Taking over a decade to put in place 12 homes Mitomkai Way illustrates the struggles many American Indian tribes face in California when trying to move forward with tribal community housing developments. However, the resulting community stands as testimony to the changing perception of manufactured housing, in communities with the greatest stigma.

Since the development reached occupancy in 2012, there has been little to no turnover. Residents are happy with their homes and the tribal community has responded enthusiastically to the use of manufactured housing. Northern Circle has worked to replace over 14 dilapidated homes with manufactured housing, and other tribal community members are now eager to adopt manufactured housing developments in their communities. Northern Circle is exploring the use of manufactured housing for two additional developments in other tribal communities – one senior housing and the other family housing.

Case Study

Paseo De Los Héroes II

Summary

Location: Mecca, Riverside County

Date of Project Completion: 2010

Lead Organization/Partners: Coachella Valley Housing Coalition

Number of Units: 52, including a manager unit, additional manager office, and community room

Ownership structure: 100% low-income rental property owned and operated by CVHC

Financing sources used:

Federal:

USDA Rental Assistance Program 521

USDA Section 514

Local: County of Riverside: Redevelopment Agency Funds

State:

HCD CalHOME financing

HCD Joe Serna Farmworker Housing Grant

9% Tax Credits

Original Ownership Structure

Coachella Valley Housing Coalition had previously acquired and further developed Paseo De Los Heroes, an existing mobilehome park. CVHC then purchased raw land near this park, and developed it from the ground up using manufactured housing, creating what is now Paseo De Los Heroes II. CVHC owns and operates this new park as a standard low-income rental property, with 100% of residents renting directly from CVHC.

Infrastructure, Status of Units, and Financial Factors

As Paseo De Los Heroes II was developed on raw land in generally the same manner as traditional, stick-built rental housing the infrastructure, unit, and financial issues often associated with the acquisition of existing mobilehome parks were not an issue. One factor to keep in mind, however, is that because this project was developed using tax credits, all of the manufactured housing units were required to be attached to permanent foundations. This increased the cost of development by up to \$20,000 per unit – so while possibly less expensive than stick-built single-family homes, the development was more expensive than stick-built multi-family housing.

Project Identification and Community Dynamics

CVHC originally intended to develop this site for traditional, stick-built, multi-family housing. However, community members felt that there was too much multi-family housing in Mecca. While the Riverside County Board of Supervisors approved the project, the Mecca Community Council did not approve CVHC's original multi-family development plan, and instead, insisted on single-family homes. When faced with this alternative, CVHC determined that manufactured housing was the best option for financing single-family rental homes.

How the Partnership was Established

CVHC had purchased the land as it was adjacent to their previous acquisition, Paseo De Los Heroes Mobilehome Park. CVHC has had a strong relationship with Riverside County and has had a long history of providing affordable housing for the Mecca community, so when it came time to develop, they were well positioned.

Community Engagement

Community members and community leadership had no hesitancy in welcoming a new manufactured housing development. As community members learned that the new development would be single family, low-income, rental housing, many rushed to sign on to the waitlist.

Critical Success Factors

CVHC attributes the ongoing success of this project to the role that USDA funding – specifically rental subsidies – played in financing the project development and in its ongoing performance in their portfolio.

CVHC considers Paseo De Los Heroes II a “perfect project” because it also includes rental assistance financing for its residents. With USDA 521, many residents only pay 30% of their income on rent, no matter how that income may fluctuate. Regardless, USDA 521 ensures that CVHC receives steady, reliable income on these units.

Project Elements

In most ways, this development was identical to a project using stick-built housing. Instead of an architect, CVHC hired an engineer to design the entire site. Although it may seem like an easier process because units are brought in from elsewhere, the construction period was not any quicker than stick-built developments.

Although use of manufactured housing was elevated in this development and the individual family spaces these units provided were highlighted in this community, CVHC approached this project like any other rental development. The project was intentionally designed to be competitive in funding applications.

Specifically, Paseo De Los Heroes II is located in proximity to many community resources, and boasts full amenities including a community room, resident services, and a playground. CVHC offers English as a Second Language classes, computer training, and after school programming for residents. Each home has 2, 3, or 4 bedrooms to more effectively meet the needs of Mecca’s families.

Paseo De Los Heroes II also provides housing at deep affordability, providing homes for people at or below 50% AMI. With use of the USDA 521 program, some residents qualify to pay only 30% of their income toward rent of their home.

Beginning in 2007, it took two years to pull together the financing for this project – much of that timing was based on TCAC Low-income Housing Tax Credit and Joe Serna application dates. Similar to a traditional stick-built development, construction of the site took about 14 to 15 months after the initial financing period.

The cost of using manufactured housing also was not especially different than the cost of traditional development. In order to qualify for use of low income housing tax credits, each unit had to be affixed to a permanent foundation. Due to Mecca's building requirements, the foundations were extensive, post tension slabs with rebar. Although these foundations increased the overall development costs by roughly \$20,000 per unit, without use of such foundations, the project would have been ineligible for the necessary funding.

Project Financing

As noted, this project qualified for 9% low income housing tax credits. Additionally, as many of CVHC's properties, Paseo De Los Heroes II serves community members who work in agriculture, and so CVHC also used \$1 million in a Joe Serna Farmworker Housing program. Riverside County also contributed \$1.5 million of Redevelopment Agency funding. This project used \$3 million from USDA Rural Development 514 and 516 programs. Use of HCD's CalHOME program was also instrumental in this development. As mentioned, USDA Rental Assistance Program 521 allows some residents to pay no more than 30% of their income.

Lessons Learned

CVHC has been able to use the same third party property management company they use at their other sites. However, they do have the general contractor and the housing manufacturer come on site to train all management staff in the maintenance and upkeep of each manufactured housing model.

Contrary to what CVHC may have expected prior to taking on the Paseo De Los Heroes II project, use of manufactured housing wasn't necessarily economical or less expensive than traditional multi-family housing.

CVHC is unsure if it would take on a similar project in the future and still favors multi-family housing in order to meet rental housing needs. CVHC has many years to go before they are able to fully assess how well the manufactured housing stands up over time in comparison to their traditional apartments. That being said, Paseo De Los Heroes is a beautiful community that is performing well in CVHC's portfolio.

Conclusion

Paseo de Los Heroes II is a strong example of how nonprofit developers can use manufactured housing to create single-family, low-income rental housing. Additionally, the creative leveraging of state and federal funding sources – specifically USDA Rural Development programs – provides a clear model for success. Although the newest manufactured housing products have not been on the market long enough to draw any definitive conclusions, manufactured homes are proving to be sustainable, long-lasting options for affordable housing.

Beyond the practicality of manufactured housing, to really understand the impact of creating a low-income rental community of single family homes, it is best to visit during the winter holidays. During this time especially, the sense of ownership and the unique connection each family has to their own personal space is evident as each family takes great care and pride in decorating their home. In winter, every house becomes a home – from every rooftop and in every yard, twinkling lights shine merrily into the desert.

Case Study

Pleasant Acres

Summary

Location: Santa Cruz County

Date of Project Completion: 2007

Number of Units and Spaces: 64, 18 of which are rented out by individual, 'grandfathered' owner/landlords

Ownership Structure: Former family trust owned park with owner-occupied units, transition to Nonprofit owned and managed, with owner-occupancy of units with affordability covenants and limited equity agreements

Financing Sources Used:

State: Mobilehome Park Rehabilitation and Resident Ownership Program (MPRRP)

Private: Neighborhood Reinvestment Corporation now NeighborWorks America

County: RDA GAP FINANCING and Predevelopment Loan

Federal: Federal Home Loan Bank Affordable Housing Program (AHP)

Lead organization/partners: County of Santa Cruz and South County Housing

Current Owner: Eden Housing

Pleasant Acres is located in the coastal community of Santa Cruz, California. Situated on the Monterey Bay, just south of San Francisco, Santa Cruz County is a mix of retro beach town, sleepy college community, and agricultural hub as the largest berry producer in the world. With beautiful coastlines and proximity to Silicon Valley, home prices are some of the highest in the nation.

In the heart of Santa Cruz, Pleasant Acres is situated between Historic Highway 1 and the Pacific coastline. It is nestled amongst public schools, small shopping centers rich with local shops and daily necessities, and humming neighborhoods. Pleasant Acres sits on the corner of 17th Avenue and Capitola Road which run like bloodlines connecting North, South, East, and West Santa Cruz.

Four neat rows of bright, modern manufactured homes surrounded with little planters overflowing with lush greenery, line quiet streets. In the center of the park is the lively community center. Just across the way is the Live Oak Senior Center, and community based organizations Live Oak Community Resources and Volunteer Center of Santa Cruz. Along sidewalks large, coastal pines and flowering trees surround the park on all sides. However, Pleasant Acres wasn't always this way.

Original Ownership Structure

Pleasant Acres was a mobilehome park belonging to a **family trust** since the 1950s. Each **resident owned their own home and rented the space** it was situated on. The park owners were responsible for infrastructure and maintenance of shared spaces, such as roads, utilities, and a community center. However, after many years, the park owners had not kept up with the maintenance of the park.

Infrastructure

Inadequate sewer systems resulted in regular sewage back ups that would flow into the streets between the homes. Pipes and water lines had gone years without service and there was poor water pressure. Inadequate lighting left the park dark and unsafe for drivers and pedestrians alike. The high costs of street repair meant that potholes, erosion, and cracks in the asphalt went unaddressed. There were numerous electrical problems and frequent gas leaks resulting in obvious fire hazards. The park's community center was boarded up and sat unused.

Status of Units

In addition to the status of the overall park, the homes themselves were aged and had fallen into disrepair, as many owners could not afford replacement, or were otherwise incapable of making necessary repairs. There were several dilapidated RVs, many homes had leaking roofs and were falling apart, and some residences were so substandard their residents were only steps away from homelessness. Many of the units had unregulated, inconsistent additions or build outs, such as porches, carports, and fences that rendered the unit immobile and, for all intents and purposes, permanent.

Financial Factors

In addition to the disrepair of the homes themselves, many of the owners also had issues with back taxes, liens, or other debts. These financial burdens impacted residents' ability to pay their monthly space rents, make ends meet, and meet other financial obligations.

Community Dynamics

Within the park, most of the sixty-four units were owner occupied, however, some owners had purchased additional coaches as they had become available and were now acting as landlords, taking on tenants. At one point, it was estimated that, of the sixty-four homes, anywhere from twenty to thirty were owned by only three or four people, many of whom were absentee landlords who did not live on site. Some of these landlords were subjecting their tenants to 'slum' like conditions. These landlords were not following or enforcing park rules, they weren't keeping up with necessary repairs and maintenance, they rented under the table or illegally, they rented to family members, and these family members may have then illegally sublet to others. Needless to say, these landlords had financial incentives to maintain the status quo and were hesitant to move forward with changes in the park and ownership structure.

Project Identification

The County of Santa Cruz is home to about 4,000 manufactured housing units. Over thirty years ago the County recognized the important role mobilehome communities play in in the overall housing stock and so they took actions to protect and preserve these units. In the 90s the Santa Cruz Community Development Corporation partnered with the County's Redevelopment Agency to inventory the mobilehome parks throughout the county. At this time the County put forth a rent control ordinance on all mobilehome parks and during the 90s and through 2011, the County's Redevelopment Agency actively sought parks in need of support and infrastructure.

The Santa Cruz County Redevelopment Agency had purchased the lot adjacent to Pleasant Acres. The County was looking into the possible development of the aforementioned senior center, and Pleasant Acres' lacking infrastructure and general disrepair was visible from the potential site. Upon further examination, the County found that property lines ran through Pleasant Acres, the site of the proposed Senior Center, and the possible resource center next to this. The Redevelopment Agency was able to recognize the potential Pleasant Acres may have in aligning with the Agency's mobilehome rehabilitation goals and this prompted the County's purchase of all three lots – including Pleasant Acres.

How the Partnership was Established

The only way that the County could commit public Redevelopment Funds to the park itself was if it was owned by a nonprofit organization. The County of Santa Cruz reached out to South County Housing, a local affordable housing nonprofit with a “mission to promote viable neighborhoods that enhance healthy, sustainable communities by collaboratively providing affordable housing and neighborhood services”. At the time, South County Housing had the capacity and experience to take on the project and to manage the park into the future.

South County Housing was excited to take on the project, but first the residents had to decide if they were willing to concede to the new ownership structure. So began an intensive community engagement process that would continue over the next few years and would prove to be one of the most crucial components of the project's success.

Community Engagement

Pleasant Acres was a diverse community made up of seniors and families — many who had lived there for a long time. About half of the residents were white, and the other half Latino, with a majority of the Latinos monolingual Spanish speakers. Everyone knew each other, but they didn't really communicate. South County Housing initiated regular community-wide resident meetings to begin discussing the risks and opportunities associated with transitioning ownership to the nonprofit. Meetings took place at least once a month, but most frequently were held weekly, and all were well attended. Also, among these first steps of the engagement process, was to circulate an extensive community survey for residents of the park to disclose their individual incomes, to document the conditions of the park and their individual homes, and to reflect on the kinds of social programs their community most needed.

Critical Success Factors

Moving forward, the park would be preserved as affordable housing, and in order to maintain ownership and stay in the park, residents would need to agree to limited equity agreements, in which there would be resale limitations on their home, and which would prevent them from renting out their units to others. In order for the nonprofit to take over ownership, every resident-owner had to agree to proposed ownership structure, and therefore any one person could make or break the entire project. The County of Santa Cruz and South County Housing were offering to take on management and upkeep of the entire park, and residents would still own their own home. However, for residents to remain in the park moving forward, they had to meet income requirements as low-income residents. Furthermore, the County would place a cap on the maximum price any home could be sold for into the future. If residents agreed to these terms, and met the new income requirements, in addition to the park improvements, such as replaced infrastructure and programs in the restored community center, residents would be eligible to receive all new homes through individual loans through the County.

South County Housing worked to meaningfully integrate residents' voices without jeopardizing time or money. Each aspect of the development plan went back to residents for their approval, from the infrastructure itself such as the flow of traffic, street lighting, the community center design, the community center kitchen and bathroom, how the communal laundry service would run, and how the computer center would operate. The selection of a property management company was critical to the success of the project, and South County supported residents in walking through the decision process. There were several meetings happening simultaneously with separate meetings for everything from loan agreement discussions to the selection of the homes themselves.

To help get every owner on board, in addition to the community-wide meetings and surveys, South County Housing staff met regularly with each resident individually. To put this process in perspective, South County Housing spent one full year in community engagement and negotiations before breaking ground on any physical component of the project. As noted, the community engagement continued as the project moved forward over the next three years.

Pleasant Acres was not one overall development project, it was truly a series of over sixty-four individual projects and deals. At every step of development, South County Housing worked with individual owners to come to agreement. Namely, as infrastructure plans were made for new drainage systems, road improvements, fence demolition, tree removal, and setback requirements new spaces had to be drawn and each resident had to sign off. Every change to a plot line took several discussions and meetings with those property owners most impacted. Some people ended up with smaller lots than they'd had previously, some with larger lots. To keep plans moving forward, South County creatively met the needs of owners. Coaches and spaces were rearranged to provide greater space, some owners ended up with larger homes, all residents received new storage sheds.

As the general contractor, South County Housing felt strongly about certain products and processes, and so they had to push back on some community decisions before reaching agreements. Not every resident liked how the process worked, some expressed concern that not all resident voices were heard — especially if someone missed an important meeting. Some residents decided not to move forward with the project and so they agreed to sell their home to the County and they moved on. While most of the original residents were at 80% AMI or below, those residents who did not meet the new income requirements were permanently relocated.

The owners that were the most resistant to the process were those owners who did not actually live on site, but instead rented out their units. Many of these landlord-owners were unresponsive and so South County Housing would wait until they came on site to collect rent from their tenants to try and negotiate the new terms. In the end, the County agreed to 'grandfather in' a handful of the rental units if the owners agreed to the income requirements and other conditions of the park.

Project Elements

It took a year, with a team of at least five staff, working long days, nights, and weekends to get everyone on-board and to have project financing in place. South County Housing and the County worked to develop a rehabilitation plan that addressed the entire park's main infrastructure. All electrical, gas lines, telephone services, cable, and roads would go in at the same time. Due to the park's small size and linear arrangement, construction had to be done carefully and in phases. There was limited space in town and none on site — nor was their

adequate funding available — to relocate all residents during the full construction process, so groups of residents were relocated for 4-6 weeks at a time while their homes were rehabilitated or replaced. Because many of the coaches were so old and the infrastructure so poor in the park, lead based paint and asbestos was common, which meant there was extensive hazardous material abatement processes and ongoing air quality testing. However, within half a year, the majority of construction was complete. The community center replacement took a total of two years to complete due to licensing and other documents that had to move through local, state, and federal processes.

Project Financing

South County Housing led financing efforts, but because the project was initiated with the Redevelopment Agency as part of the Senior Center and Family Center, with parcel lines running through all three project areas, the County was more involved than usual in the financing of Pleasant Acres.

Redevelopment Agency funding - both capital and housing funds -- was used for Predevelopment and Acquisition costs. These loans were at 1% interest deferred for 30 years, and on year 30 becomes amortized over 30 years. Federal Home Loan Bank Program (AHP) was not as stringent as MPROP and was therefore used before income verifications were complete and while owner contracts were still in negotiation.

MPROP was used once South County Housing had created the formal park ownership entity and construction had begun. MPROP interest rates vary, and the loans were due payable in 30 years, and deferred based on cash flow.

South County Housing was able to secure private financing from the Neighborhood Reinvestment Corporation, now NeighborWorks America, as South County Housing had been long time members. This source was invaluable as it was critical flexible funding available during predevelopment and construction. This financing covered South County Housing development fees and other miscellaneous development costs.

For the rehabilitation and replacement of individual homes, residents qualified for Santa Cruz County's Mobilehome Change Out Program. These were individual rehabilitation loans made out to each home owner. At the time this was a 120% loan through but is now operated through CalHOME. The loans for each home from the County did not have debt service payments, and the loans were repaid at resale or transfer.

Lessons Learned

- Taking the time early on to dive deeply into what the entire process would look like could have prevented many of the struggles later down the line. In order to move the project forward, South County Housing made agreements that did not always end up being feasible. Additionally, some residents came away without fully understanding the details of limited equity and resale restrictions. As the project progressed, some of the costs for infrastructure were greater than originally anticipated, and some additional costs were passed on to the individual owners. These issues are commonplace in development processes, however, for community members can be disconcerting. South County Housing had to return and re-negotiate with many residents, several times through the process.

- Leadership and support for the project from agencies and jurisdictions was critical. Although it took a trip to Sacramento to meet with members of the State Department of Housing and Community Development, it was these strong relationships that helped move things forward. If there were not people actively in support of the project, who could respond quickly and move things forward on short notice, this project would have taken too long and would have lost the resident buy-in.
- South County Housing found that having their own general contractor on-staff truly helped to make this project come together. In fact, the contractor and construction team were crucial participants in the community engagement. Without a general contractor committed to the community itself, and committed to the nonprofit model, the time, care, and individual specialization of this project may not have been possible.
- The role of State Redevelopment Funds was critical. Without a doubt, the use of State Redevelopment funds helped to actualize this project. Since the loss of Redevelopment, the County of Santa Cruz has been unable to take on such transformative mobilehome park rehabilitations, although this is not for lack of interest or need.

Conclusion

Hop on Zillow or local real-estate listings for Santa Cruz County and it is evident that

Pleasant Acres continues to be an affordable and quality place to live in one of California's most coveted communities. Each year, the County of Santa Cruz issues a memo setting the maximum resale price for each unit based on the pricing set in 2007 and adjusted for County AMI for that year. As owners decide to sell, they contact the Property Manager who helps to place the unit on the market. Additionally, three owner-landlords remain, renting out a total of 18 units to families at 80% AMI or below.

Report Conclusions

It is from these case studies and in the numerous conversations, convenings, and focus groups that we have drawn the following conclusions. Although each park acquisition or manufactured housing development is unique, taken together, they illustrate the complexity of issues and the urgent need for solutions.

Park Pricing

Generally, the purchase price of a park which could be acquired by a nonprofit is not based on the value of the community itself -- which sometimes could be further reduced by the necessity for repairs and rehabilitation, current rent levels, and other issues. Instead, the price is based on the highest and best use of the land on which the community resides, which can be developed for conventional residential, commercial, or other uses. Even though the state and many local governments have made preservation of mobilehome parks a critical component of local housing options, there is often little in place to connect those intentions to actual practice to either coerce or incentivize a sale at a reasonable price as a mobilehome park.

Limited Resources

Often, when a park acquisition is contemplated by a nonprofit or resident group, the message received is that there is no local or state funding available for park acquisitions. This becomes more critical when a nonprofit is seeking to acquire a park in crisis before closure or conversion. With the loss of Redevelopment funding, there have been far fewer park acquisitions. Although there may be other local funding available, it can be used for acquisitions only if there is political will. Additionally, there are often underwriting and other regulations that accompany state programs that require manufactured homes in financed parks to be on permanent foundations which can be an unnecessary obstacle.

Home Maintenance for Low Income Homeowners

Beyond the increasing costs of renting spaces within parks, another key issue for resident homeowners is the cost to maintain and repair, or fully replace the home itself. A nonprofit taking over an older park must create a partnership in which it is not merely the proprietor of the park, but a partner with the residents, knowing that the long-term operating plan must include a means of repairing or replacing existing substandard housing. Working with the third-party facilitator over a longer term to seek and obtain financing for the homes as well as the park may be the only means of addressing these issues.

Prioritizing Manufactured Housing and Mobilehome Parks

Manufactured housing and mobilehome parks are not necessarily priorities for government agencies or officials. Often, they aren't even a preference item -- for example, new construction can be preference over preservation and great stigma remains around even new manufactured housing. Specifically, manufactured homes are not considered as long-term as conventional construction, even though many homes from the 1970s and 1980s are still in use and in good condition when owner-occupied. Furthermore, newer homes are built to much higher standards, are incredibly energy efficient, and are expected to last even longer than their predecessor models. Outdated stereotypes of 'trailers' and homes that relocate result in public finance entities requiring that manufactured homes be installed on permanent foundations, even though today's manufactured homes almost never move.

Where We Go from Here

In the end, in order to preserve decent, safe, and affordable housing in mobilehome parks, given economics, financing, regulation highly protective of resident rights, and other barriers, we cannot keep trying to do what has not worked in the past. Instead, we must decide what we want the future to look like and adapt with new means to accomplish these goals.

- Prevent closures and incentivize transfer to nonprofits or resident owner groups for preservation
- Put in place local and state policies that require replacement on a one-for-one basis of any mobilehome park spaces lost
- Ensure that parks are maintained properly throughout their lifespan and regardless of ownership
- Expand other existing and potential funding sources to better meet the needs of park acquisition, preservation, and home maintenance
- Because of the unique nature of mobilehome parks and manufactured housing, coordination, facilitation, and technical assistance for acquisition and financing will be necessary for many nonprofits
- USDA Rural Development now finances manufactured home purchases and this resource needs to be implemented broadly where applicable
- To help overcome the incorrect stereotyping of manufactured homes, nonprofits should begin using them in conventional subdivisions and/or as part of self-help programs
- As perceptions of manufactured housing change to better reflect the true quality and value of manufactured housing communities, regulations should be updated

Resources

For a more robust understanding of the many complex issues touched on here, please be sure to explore CCRH's previous reports and our partners' resources, research, and analysis.

Affordable Manufactured Housing Best Practices: Opportunities for California Affordable Housing Developers

CCRH carried out an exhaustive study of Manufactured Housing Best Practices for Affordable Housing Developers, the most recent version was updated in 2010.

http://media.wix.com/ugd/8d7a46_71b86ee62a084deeb7c4f9ff7a8f4767.pdf

CFED Tool Kit

The Corporation for Enterprise Development (CFED) leads the national Innovations in Manufactured Homes (I'M HOME NETWORK).

http://cfed.org/programs/innovations_manufactured_homes/manufactured_housing_advocacy_center/manufactured_housing_toolkit/

Prosperity Now California Snapshot

[I'M HOME 2017 California Data](#)

[I'M HOME Policy Snapshot](#)

National Consumer Law Center

The National Consumer Law Center is a wealth of policy analysis and resources for advocating for manufactured housing communities across the United States.

<https://www.nclc.org/issues/manufactured-housing.html>

Grounded Solutions

Grounded Solutions has released new studies analyzing manufactured housing community policy and infrastructure.

<http://groundedsolutions.org/new-manufactured-housing-resources/>

Manufactured Home Community Financing Handbook

In 2016, Wells Fargo compiled their own analysis and suggestions for financing manufactured housing communities.

https://www08.wellsfargomedia.com/assets/pdf/commercial/financing/real-estate/mhc_handbook.pdf