

From: Jackie Braverman

Sent: Thursday, December 1, 2022 11:53 AM

To: City Council; Stacy Clauson; Planning Commission; Stacie Pratschner

Subject: Please use this copy For East Harbor Hills LLC

Attachments: Nov30letter copy 2.pdf

For some reason, the draft I just sent did not include the appendix. Sorry!

Rather than send it separately, here is the attachment again.

TO: The Planning Commission
FROM: Jacqueline H. Braverman, Ph.D.
SUBJECT: East Harbor Hills, LLC
DATE: November 30, 2022

Background: I attended the Planning Commission meeting on Aug 11 when Skip Jansen and Craig Parkinson presented the idea of manufactured housing on H Street Road. They spoke at length about the importance of affordable housing. Numerous members of the Commission asked whether lots for the homes would be offered for sale or be rented, but both men declined to answer.

Now, four months later and with a proposal before the Commission, this vital question still has not been answered. Instead, the requested text change simply repeats both options (BMC 17.68.120) as :

C. “Manufactured home park” means a residential use in which more than one manufactured home is located on a parcel of land under single ownership.

D. “Manufactured home subdivision” means a platted subdivision in which lots are dedicated for placement of manufactured homes on individually owned lots.

Options C and D are vastly different. Is the Commission expected to give “blanket permission” for the developer to make his decision at some indeterminate point in the future? Such permission might be nearly impossible to retract.

Summary Statement:

A code amendment to allow manufactured homes in a mobile /manufactured home park and in a platted subdivision presents two entirely different concepts. On owned land, a manufactured home is eligible for a conventional mortgage and will appreciate as the land appreciates. Without land, the manufactured home must be financed by a chattel loan for personal property at much higher interest rates. Combining higher payments, rent, and decreasing value of a mobile home in a park makes this a highly dubious choice, not even remotely “affordable” for households earning less than \$100,000 annually. And for those who do end up with a home in a park, the cost/inability to move out turns householders into a captive audience. Their plight is illustrated by a recent surge of investors, both American and foreign, who are buying up old MH parks, a “hot commodity” that profits owners/investors at the expense of residents.

The Magic of Mobile Home Park Investing

WizNews Post – Fall 2021

(<https://skytiancapital.com/the-magic-of-mobile-home-park-investing-by-paul-moore>)

*I **hate** investing in mobile homes.*

I'm in my third decade as a real estate investor. I acquired four mobile homes as part of my portfolio over the years.

And they are among the worst investments I've ever made.

*I talk with real estate investors all the time, and I consistently tell them: **Don't invest in mobile homes.***

*Now mobile home **parks** are quite a different story.*

I love investing in mobile home parks. Mobile home parks are the best investments I have ever made.

And others are catching this wave. Have you?

“Catch the wave”?? What is good for **outside** investors is the exact **OPPOSITE** of what would be good for home-owners **inside** a park in Blaine.

Investment groups, American and foreign, bought up 23% of all the Mobile/Manufactured Home parks sold in 2021. They are reaping the benefits of an outdated concept that has impoverished people for decades, owners stuck paying rent on a depreciating asset that cannot feasibly be moved. They are the “cash cows” that has enticed outside investors to buy the parks.

New mobile/manufactured home parks are not being constructed, and the vast percentage were built several decades ago. As one analyst put it, “The whole business model of a mobile home park is ridiculous....It made sense back in the '40s and '50s when moving them was really cheap. I think governments have known for 30 or 40 years that it's a flawed business model.”(www.coloradoan.com/story/news/2019/09/15/colorado-mobile-home-park-residents-living-half-american-dream/2307487001)

The idea that new manufactured homes are “affordable housing” also remains a flawed concept for most potential buyers, particularly those who are first-time purchasers. This is readily proven by examining the income level of the region. The “formula for “affordability” is AMI (area median income) X 30% for housing costs.

The long-time HUD recommendation for home-ownership is 30% of annual income, including utilities.

Whatcom County: Blaine mean household size: 2.51 people =AMI =**\$81,250**

at 80% of the median = (\$65,000)	= \$22,750 for housing costs
At the median= (\$81,250)	= \$24,375
At 110% of the median=(\$89,375)	= \$26,812
At 125% of the median=(\$101,562)	= \$30,468

Affordability: Double-width manufactured homes range from about \$170,000 to well above \$250,000. Exemplified here, a \$185,000 new home; 5% down and 10.1% mortgage (closing costs not included); \$761 monthly rent; \$1720 taxes plus \$700 insurance.

The calculations above do not include utilities or mortgage insurance. These must be added to the expenses above, which add up to **\$29,800 annually.**

Household income would need to exceed \$100,000 to cover even basic costs of a home in a park, which certainly does not qualify as “affordable” housing” for people earning less than that, It also calls into question whether those with annual incomes of more than \$100,000 would actually be candidates for a manufactured versus a stick-built home.

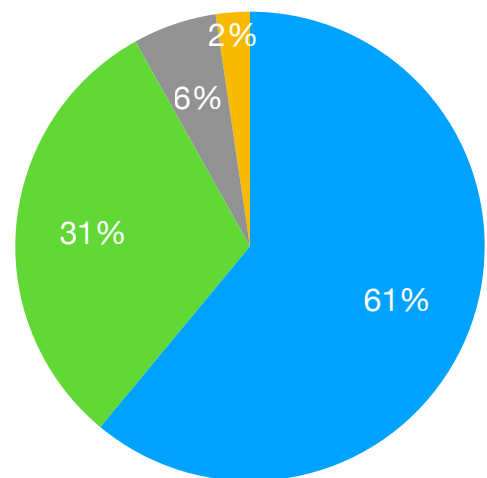
A. Chart of Expenses in a Park

● Loan ● Rent ● Taxes ● Insurance

EXPENSE: Conventional bank mortgages are NOT available unless the home is on owned land. The main option is a Chattel personal property loan at 8-12%. (First Security Bank, Vanderbilt Mortgages, 21Mortgage Corp.)

RENT: The “worst of both worlds”: high interest payments plus rent (\$761 average for Pacific region but probably higher)

DEPRECIATION: Dependent upon condition, in ten years, the home will be down 9-13%: in 25 years, 27-40% <https://rct11.msbexpress.net/RCT43Help/1/Content/Depreciation%20Table,%20Mobile-Manufactured%20Housing%20-%20Physical.htm>

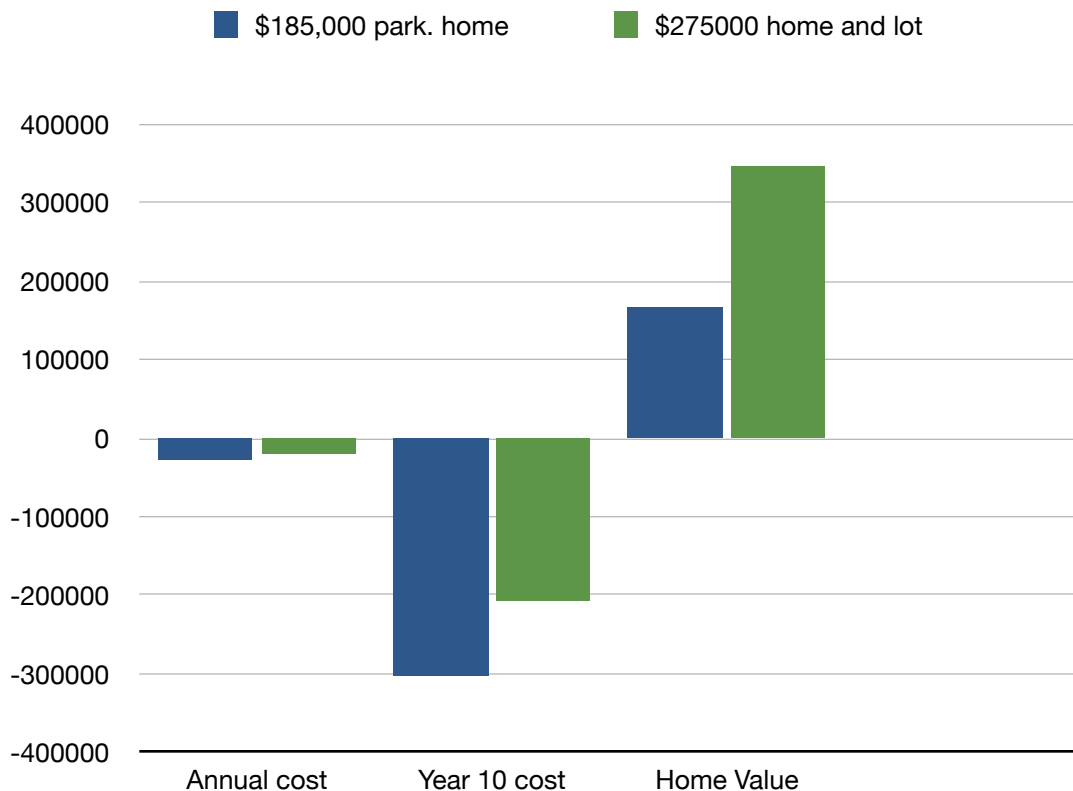


B. Manufactured Homes on Owned Land

From HUD: “The loudest message from our research is that ownership of the land is vital to maximizing the appreciation possibilities of a consumer’s purchase. No positive appreciation should be expected if the land is placed on a rented lot (<https://www.hud.gov/sites/documents/APPRECIATION.PDF>)

Where will the home-owner in a park be financially in 10 years. Statistics suggest that this home will have depreciated (See Appendix). However, if the buyer purchases land on which to place the home, he could then get a conventional 30-year mortgage, pay far less monthly and see his property appreciate in value (4% annually used here), commensurate of course with property size, location and desirability.

Comparison in 10 years: Manufactured Home in Park vs on Owned Land



HUD recommendation: **OWN LAND!!** Not-for profit organizations such as ROC USA (Reclaim our Communities) are working to help home-owners in parks purchase the land for themselves as a co-op. Other not-for profits such as the

Kulshan Land Trust strive to assist aspiring home-owners. Again, purchasing land is a hall-mark of their affordable housing (stick built) program.

Some Considerations to Evaluate:

- ✳ **Bottom Line:** A park with rental space is NOT affordable housing! Furthermore, it would follow an old and discredited model that would enrich park owners at the cost of residents. In contrast, owned land enhances the financial prospects and security of residents and therefore of the city itself. Any subdivision for manufactured homes would be well to maintain the integrity of adjacent neighborhoods by offering similar lot sizes.
- ✳ **Tax Revenue:** \$1720 in personal property tax on the structure will remain level at best for a home in a park versus higher and increasing tax revenues accruing through appreciation of homes with owned land.
(Note: Washington K-12 schools receive relatively little federal funding. Federal funding per pupil: \$995; state funding: \$11,982, Local funding \$4339. (<https://educationdata.org/public-education-spending-statistics>)
- ✳ **Transient Population**
 - Graph C shows that the home-owner in a park is already “under water” within ten years if not much sooner, prompting owners to rent the dwelling rather than take a loss when selling it. Leeland, (9/22) reports that only 38% of the homes in Birch Bay parks are owner-occupied. A transient population does not build community.
 - Rented homes and yards may more quickly fall into disrepair.
 - Leeland also reports that Canadians own 42% of mobile homes In Birch Bay, not a problem per se, but a primarily weekend population is still a relevant issue.
- ✳ **Environment:** One would hope that climate change will play a major role in city planning. Denuded forests and flooding cannot possibly be to the good of our community, let alone the planet. Responsible stewardship is now more critical than ever!

Blaine is everybody’s backyard!

Appendix : A few Suggested Readings

<https://www.commerce.wa.gov/wp-content/uploads/2021/01/Manufactured-Housing-Workgroup-Report.pdf>

<https://www.npr.org/2021/12/18/1034784494/how-the-government-helps-investors-buy-mobile-home-parks-raise-rent-and-evict-pe>

https://www.hud.gov/program_offices/housing/sfh/title/repair

<https://www.nytimes.com/2022/03/27/us/mobile-home-park-ownership-costs.html>

<https://finance.yahoo.com/news/corporate-landlords-gobbling-mobile-home-113000760.html>

<https://www.forbes.com/sites/korihale/2019/04/18/warren-buffets-exploitative-mobile-home-investment/?sh=136da63e1507>

<https://www.seattletimes.com/seattle-news/times-watchdog/buffetts-mobile-home-empire-makes-record-profits-while-foreclosing-on-8444-homes/Vanderbuilt>

<https://www.npr.org/2021/09/03/1033910731/why-are-investors-buying-up-mobile-home-parks-and-evicting-residents>

<https://www.washingtonpost.com/business/2022/06/06/mobile-manufactured-home-rents-rising/>

<https://www.capecodtimes.com/story/news/2022/09/06/us-price-program-raise-money-resident-owned-mobile-home-parks/7939775001/>

<https://www.forbes.com/sites/forbesbusinesscouncil/2021/12/22/five-reasons-why-mobile-home-parks-in-the-united-states-are-disappearing/?sh=7c86636b4b64>

Depreciation of Double Section Manufactured Homes (<https://rct11.msbexpress.net/RCT43Help/1/Content/Depreciation%20Table,%20Mobile-Manufactured%20Housing%20-%20Physical.htm>)

Effective Age/ Year	Condition		
	Pristine	Very good	Less satisfactory
1	1%	1%	1%
10	9%	11%	13%
20	21%	25%	30%
30	36%	44%	52%
40	55%	63%	72%
50	71%	77%	100% depreciated