2024 | Quarter 1

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7 Mistakes for Property Managers to Avoid

Amenities Tenants Love and Increase Your NOI

Changing Home Buyer Demographics

How To Write A Rent Increase Letter

and more!

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Manufactured Home Community Managers Insurance Buyers Guide

By Kurt D Kelley, JD



Photo courtesy of Newmark Capital Markets

There are multiple layers of risk mitigation for Manufactured Home Community (MHC) operators. The first three are:

1. Acquisition selection
2. Entity Ownership Structure, and
3. Management/Operations Techniques

These three layers are foremost for risk reduction. Nevertheless, significant ownership risk remains. Proper commercial insurance is designed to reduce or remove much of the remaining risk. Here's what to look for when purchasing insurance to protect your investment.

General Liability Insurance – Coverage forms begin with wide coverage grants for liability resulting from your negligence that causes bodily injury or property damage to others. The **secret is reviewing the listed coverage exclusions**. Any coverage offer you receive should include a full list of all the policy exclusions. If it doesn't, ask your agent for the list.

A number of these exclusions are endemic and can't be removed. These include exclusions for bodily injury and property damaged suffered by others due to:

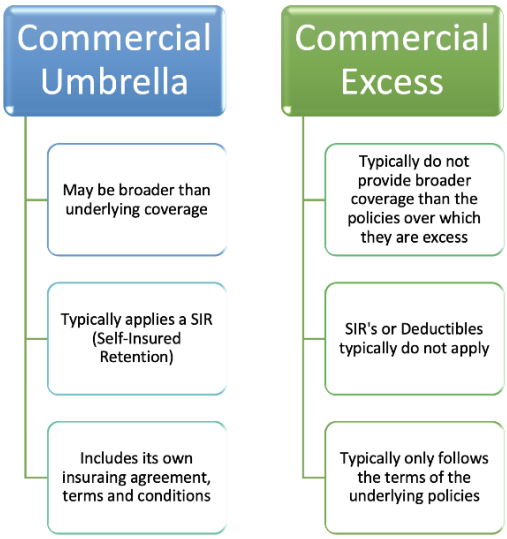
1. Mold or mildew
2. Pollution, and
3. Intentionally caused injury (exception for self-defense)

Your operations and management should take measures to reduce or avoid risks associated with these. Pollution coverage will generally cover Mold and Pollution claims. Costs for this generally start at about $5,000 for a single MHC.

Other coverage exclusions are not endemic and may be removed or avoided for some, but not all MHC owners. These include exclusions for:

1. Animal/ dog bites
2. Bodily injury to contractors on the premises
3. Claims resulting from violations of Habitational Laws and Codes, and
4. Absolute Assault and Battery (ex. Tenant raped while in the MHC)

When you see these on a coverage offer, ask your agent if they can be removed. MHC's that are in high liability areas, have a high concentration of rental homes, or are currently in need of repairs and improvement may be stuck with these exclusions.



Excess / Umbrella Liability -This coverage picks up when the underlying general liability coverage limits are exhausted. Excess liability generally covers the same claims as the underlying general liability insurance, and not claims that aren't. Due to the substantial risk of liability claims exceeding the $1,000,000 per occurrence limit typically provided by general liability insurance, some excess liability coverage is recommended for all but the smallest operations.

Examples of claims with a high expectation of exceeding a $1,000,000 general liability coverage limit include claims alleging death, brain injuries, spinal cord injuries, and other permanent bodily injury.

When evaluating what excess liability coverage limit you should purchase, consider the following factors:

1. Amount of equity you have at risk
2. Whether you are in a high-risk legal jurisdiction (ex. California, Illinois, New York, Louisiana), and
3. Your lender's insurance requirements

Limits from $1m to $5m are typical for MHC owners. Higher limits are available for larger portfolio owners.

Property Insurance – This protects your buildings, improvements such as above ground utility infrastructure, building contents, home inventory, and the property's income. When your property is damaged due to a covered peril, this coverage is designed to repair or replace what was damaged or lost.



Photo courtesy of Florin-Roebig Trial Attorneys

The broadest coverage forms are the "special" and "comprehensive" coverage forms that are favored by most MHC lenders. They cover all perils, except those excluded. The "Basic" coverage form offers less coverage. It only covers those perils specifically listed. Note that almost all commercial property coverage forms exclude flood and earthquake damage. Those coverages are purchased separately.

There are **two typical mistakes made by property owners when purchasing coverage. The first is undervaluing their buildings and property.** Repair and replacement costs have risen 50% plus in the past four years. A single section Manufactured Home roof cost $8,000 to replace four years ago, and $12,000 plus to replace today. A modest new three bedroom, two bath single section manufactured home costs $65,000 to deliver and install. A basic wood frame site-built office building costs $200/ft plus to build in a low-cost area like Central Texas, and significantly higher in high-cost areas like the NE US or the West Coast. Using $300/ft as a base valuation measure is a reasonable starting point.

The second big mistake MHC owners make is failing to insure multiple improvements in their park. Fires and windstorms can destroy every power pedestal, utility pole, lift station, and sign in your MHC. Those large trash can like cannisters sitting atop power poles in your MHC may be owned by you, not the utility company. And many of those are valued over $200,000. Be sure to list on your property policy all the buildings and improvements you want insured. If they aren't listed, they aren't insured.

Loss of income with extra expense coverage is critical for MHC owners. Your limit should be an amount equal to your annual revenue. If available, add the extended 180 days coverage. The base loss of income coverage lasts the shorter of 360 days or the time when the community re-opens or should reopen. The 180 days of extended coverage pays you the income you would have earned absent the catastrophe while you are making efforts to refill your tenant base. Extra Expense coverage can pay for the costs to remove tenant owned home and other storm debris that impedes reopening a road or home site.



Photo Courtesy of Insurance Business Magazine

Workers Compensation Insurance – This is a necessity for those with W2 employees. It's also excellent value as it includes unlimited coverage for employees on the job injury claims. Medical expenses, lost wages, and death benefits are included. A key additional advantage is that if you have workers compensation insurance, an injured employee's only legal remedy is workers compensation benefits. Your operations become insulated for tremendously high employee bodily injury claims that may arise in regular civil court.

Even MHC operators with no W2 employees will find a low-cost low payroll Workers Compensation policy valuable.

Having one means that if a contractor sues claiming the legal status of an employee and wins, your workers compensation insurance protects you. In states such as Illinois and California where the legal definition of an employee is wide, and that of a contractor is slim, it's particularly important.



Other Key Insurance Coverages for MHC Operators to Consider

Employment Practices Liability and Tenant Discrimination Insurance – This covers legal defense costs and indemnification arising from allegations by workers that they were compensated improperly (ex. Not paid overtime), sexually harassed, or treated unfairly due to their race, sex, sexual preference, disability, etc. If you purchase the "3rd party" coverage extension, the coverage extends to like claims against you by tenants. That's great value!



Cyber/Crime Insurance – This covers liability claims arising from online, email, and internet activity. It can also extend to losses associated with replacing virus damaged hardware and software as well as loss of income due to hacking induced business closures. Extortion claims by hackers who have locked down your operating system are a growing source of losses. **Theft of bank account funds by fraudsters is a huge issue for Real Estate owners** who often have large uninsured cash balances. This coverage may be the best value insurance an MHC owner can buy.



President of Mobile Insurance, an agency specializing in insurance for manufactured home communities and retailers. Mobile is a specialty MHC insurance provider that insures more MHC owners than any other agency. Named top commercial insurance agency by American Modern Insurance Group. Member of numerous insurance companies' policy development and advisory teams. One of largest manufactured home specialty agencies in the country. 2009 - Present

Kurt D. Kelley, J.D.
President, Mobile Insurance

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Who is MHAction?

By Cody Dees, PhD

Who Is MHAction?

Ever heard of MHAction?

Are you worried about their influence in your community? A small minority of you may say that you have heard of MHAction, but I wouldn't be surprised if most of you had no idea who or what I was talking about. MHAction has branded itself as a national-level non-profit which fights to protect the affordability and quality of manufactured home communities, taking a social justice stance in pursuit of corporate accountability. As it is, we currently live in an incredible freedom of information age, so, why is that when confronted with a national-level organization, I can't seem to find any meaningful information about them? It was just a bit too odd for me to let the issue rest. Here is what I found…

I Asked ChatGPT, *"Who is MHAction?"*

As a cursory look at the organization, I am not ashamed to admit that, yes, I did turn to ChatGPT, but as you may expect, the answer from ChatGPT was fairly discreet, focusing on declarative facts. Primarily, the query resulted a reinforcement of the public mission of MHAction:

"MHAction is a national movement of manufactured home community residents who work to protect the affordability and quality of their communities and fight for social justice. MHAction focuses on issues related to housing, specifically for residents of manufactured home communities, and works on policy reform, corporate accountability, and "social justice" issues impacting their communities."

What was interesting though, was the additional information related to questions I had yet to ask:

"It was initially a special project under the Center for Community Change and became an independent project in May 2016. MHAction is fiscally sponsored by the Tides Center, a 900 employee 501c3 that funds causes of the left and has revenues of roughly $500 million and a 45% expense/revenue ratio, extremely high for a charitable foundation. The organization relies on grassroots leaders who are trained to organize and lead campaigns in their communities. These leaders, part of the MHAction Core Team, serve as an informal organizational board and work with staff and members to set priorities and strategies for the organization."

I Asked the IRS, "Who is MHAction?"

With ChatGPT's assertion that MHAction had the Tide Center as a benefactor, I thought the IRS may have more information, but as it turned out, MHAction had not filed a Form 990 since 2015, so no additional information was available from this query. As a note for any concerned parties, not filing a Form 990 may be because the organization didn't receive revenues in excess or $25,000 per year, in which case a Form 990 is not required.

I Asked MHAction, "Who is MHAction?"

The obvious answer sometimes doesn't come immediately, but I did eventually realize simply googling the company was a viable form of research. However, looking directly to the organization website for answers, failed to yield much of anything, except for the evidence of one paid employee: Ms. Molly Roush, listed as "Co-Director".

I Asked Wikipedia, "Who is MHAction?"

Despite telling my students that simply citing Wikipedia does not constitute "*scholarly research*," I did turn to Wiki to verify MHAction's affiliation with the Tides Center. For those who are unfamiliar, the Tides Center primarily offers fiscal sponsorship and nonprofit acceleration services, assisting start-up non-profits to assist them in getting their initial footing, so to speak.

I Asked Myself, "Who is MHAction?"

After a dozen or so failed attempts to gain any substantial information, I was left to ask myself what it was that I had actually learned about MHAction. More or less MHAction appears to be a 9-year old, single-employee non-profit, earning less than $25,000 in revenues annually. Or, at least that is all that the definite facts will allow us to accurately surmise.

Conclusion:

Looking back at this whole ordeal, which was not nearly as fulfilling as I would have hoped. I am a bit disheartened that there was not some deep political intrigue, no conspiracy, no consortium of evil minds plotting the destruction of manufactured homes corporations. But that doesn't mean there is nothing to learn from this whole endeavor.

Taking the investigation of MHAction as a general case study, I would suggest that if and when a community member or organized community manager encounters an advocacy group, they consider doing their homework to see who it is that they may be pitting themselves against. I respect anyone fighting for rights, but to some extent our industry needs to confront the fact that just about anyone can claim to be national and giant representing the oppressed. If an organization really did have national sway with manufactured home community residents, some transparency would be greatly appreciated.



CJ Dees, PhD
A multi-talented freelance writer with a diverse background and a passion for words. Experienced in social media marketing and professional blogging, he has learned to craft his unique insights for a multitude of audiences. An Air Force veteran and current Federal employee, his discipline and dedication are reflected in his writing. Cody is a savvy real estate investor and entrepreneur, always seeking new opportunities. His words not only inform but also inspire, making him a sought-after voice in the worlds of business and content creation.

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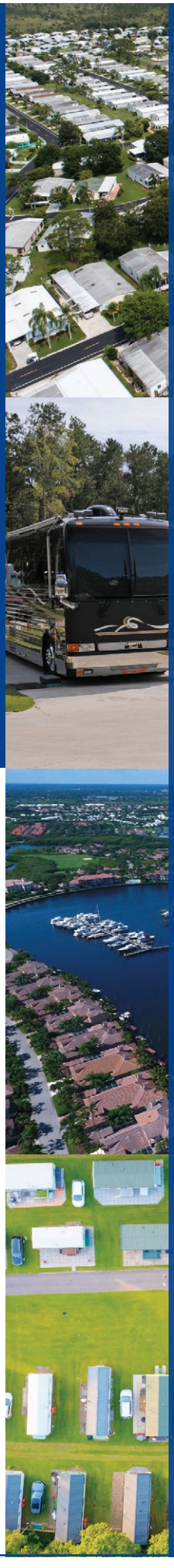
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The MHRV Team is a culmination of the most established and respected experts in the Industry. Most notably, Mike Nissley and Bruce Nell who have been in the MHRV space for decades. Mike is considered one of the **top brokers in the space** and has assisted in closing more than $100B in transactions.

Bruce Nell is a **best in class appraiser** in the asset class given his penetration into the market early on and as appraised more than $700B worth of assets with $400B+ specifically in the MHRV space.

Both have established relationship spanning decades in the field and will bring a level of professionalism and incredible network that isn't accessible by other firms.

This Senior-level team is supported by a strong roster of professionals that have been in Commercial Real Estate for 30+ years with institutional experience with banks and private equity groups. This ensures **streamlined execution and best in class service** to the team.



Maximize Your Park Value the market is seeing record breaking prices for manufactured home properties and RV resorts as well as never- before seen deal velocity. We will help you maximize in the current market.

$400 Billion of MHRV Appraisals each year the Valuation & Advisory team appraises more than 1,500 manufactured home communities ranging from single to large multi-state portfolios.

50+ Years Experience specifically in the MHRV asset class and many of our team members are MH & RV Park owners and property managers themselves.

Off Market Opportunities we have a wealth of off market properties that are ideal opportunities for 1031 buyers to acquire.

30+ Years of Institutional Experience with banks & private equity groups.

RVs as Affordable Housing

By PayRent.com

In support of *VISIONS in Leisure & Business* magazine's theme: 'New Era for RV Consumers'



Photo courtesy of NerdWallet

'Necessity is the mother of invention' occurs 'when the need for something becomes imperative, one is forced to find a way of getting or achieving it.' Hence, the widely-recognized affordable housing crisis and search for resolution evident throughout the U.S. today! Why? Rising mortgage interest rates, too little inventory of conventional site-built homes, and reluctance of homeowners to sell and take on new higher rate mortgages, have highlighted a segment of the recreational vehicle industry (i.e. 'RVs') as a probable, albeit attractive source of affordable housing almost everywhere.

Furthermore, "In the past, there was no such thing as 'tiny houses' or widespread use of recreational vehicles, park models, and other types of structures as permanent dwellings."[*1]

Now that has changed.

Today's supporting headlines: "RVs becoming Housing of Last Resort"…"Low-income People Turning to RVs"…"How the RV Industry is Becoming More Diverse"…"Can you have it all being a digital nomad?" and 'Home Buying Hits Near 30 Year Low as Costs, Credit Card Debts Soar', *EPOCH TIMES*, p. A5 of 20-28 September 2023 edition.

All point to recreational vehicles ('RVs') increasingly viewed and used as affordable housing!

Specifically, "…recreational vehicles and park models built in accordance with private 'codes' (e.g. ANSI standard) maintained by the Recreational Vehicle Industry Association"[*2]

RVIA is the leading trade voice for the $140 billion RV industry, representing 495 manufacturers providing 98 percent of all RVs made in the U.S.. The trade group also claims the median age of 11.2 million RV owners in 2021 was 53 years, but median age for first-time RV buyers is 32 years.

'Fulltime RVers' are oft considered to be a new breed of homeowner. Their number is pegged at 1,000,000[*3]. The lifestyle is defined as RVers living in recreational vehicles 24 hours a day, seven days a week, 365 days a year – but with no permanent address. These fulltime RVers, a.k.a. digital nomads, 'workampers', and boondockers, remain mobile and semi-mobile, traveling from one locale to the next for employment, to enjoy attractions, for camaraderie among RVers. Sometimes for unlimited stays in 4,844+ Harvest Hosts hospitality locations (e.g. farms, breweries, wineries) throughout North America for $99 annual membership, and where there are no camping fees or tents.

However, other fulltime RVers opt for stationery lifestyles, parked amidst other RVs in RV communities, RV parks, and campgrounds; even among manufactured homes in land lease communities (formerly 'mobile home parks'), where allowed; on scattered building sites conveyed fee simple, and simply where they decide to settle. These folk have found RVs, new and used, to be housing they can truly afford! This new breed of full-time RV owners has found this to be housing they can afford!

For example, An RV owner writing on the internet claims, "…you can do the full-time RV lifestyle for $2,000 to 3,000 a month. We fall into the $7,000 to 8,000 range, but if we really try, we could probably do about $4,000 to 5,000 a month" – not including cost of the RV.

Reason for this emerging category of residency? Beyond the wanderlust of heretofore casual RVers, the widespread and increasing national need (Many say crisis) for affordable housing has popularized, some say forced, this lifestyle alternative. To better understand what is happening, let's first identify the more than half dozen categories of recreational vehicles ('RVs'); then agree on a working definition of affordable housing.

Nine types of recreational vehicles. At least 10.5 million households own at least one RV.

Towable RVs, a.k.a. 'trailers', according to RVIA statistics, comprise 90 percent of the national RV market.

- 5th wheels (largest of towable RVs), pulled by a full-size truck (usually one ton in size), with raised front overhang (a.k.a. 'gooseneck'), 20-40 ft. in length and accommodating four to eight people.
- Travel trailers, a.k.a. 'pull-behinds', include 'teardrop' design, e.g. Airstream RVs towed by trucks, SUVs, even motorcycle, 8-40 ft. in length and accommodating two to eight people.
- Toy haulers, a.k.a. sport utility RVs, a subcategory of 5th wheels and travel trailers - some with garages for the 'toys' (e.g. boats, motorcycles, race cars, etc.), 18-40 ft. in length and accommodating four to eight people.
- Pop-up trailers or folding camping trailers with a base and canvas top, 8-20 ft. in length and accommodating two to eight people.
- Truck campers fit into truck beds, a.k.a. cab-overs, 6-12 ft. in length and accommodating two to four people.



Photo courtesy of VIVE

Motorized RVs, a.k.a. 'motor homes', according to RVIA statistics, comprise 10 percent of the national RV market.

- Class A (a.k.a. diesel pushers or pullers – like a bus, using gas or diesel engines. Largest and most expensive of RVs, 25-45 ft. in length, accommodating six to eight people.

  A subset to Class A is the Overland RV: trucks based on 2 ½ ton Light Military Tactical Vehicle ('LMTV') 4X4 cargo trucks. Very durable for 'overlanding' adventures
- Class B, a.k.a. camper vans or van camper. Also Class B+, as a crossover between B&C, 20-26 ft. in length and accommodating one to four people.
- Class C – like Class A but with a 'cab over' profile used as a bed or extra storage, a.k.a. mini-motorhome, low profile motorhome, and compact motorhome. 22-35 ft. in length and accommodating four to eight people.

Park model RV homes a.k.a. 'park trailer' (400 sq. ft. or smaller in size), also a.k.a. 'PMRV'

- According to MHVillage, "a regulated temporary living space for an RV park setting."[*4]

Five types of RV destinations, according to industry consultant Ed. O. Bridgman (EOB@EOB-Consulting.com)

- **RV Parks** – "been around for over 100 years, no amenities, serve short-term guests."
- **RV Campgrounds** –"been around for over 100 years, near amenities, serve short-term guests."
- **RV Resorts** – "been around for 20 years, provide lots of amenities, serve short-term guests."
- **RV Communities** – "been around for 10 years, fewer amenities, serve long-term guests" Most likely where recreational vehicles will be used as permanent dwellings.
- **Hybrids** – "designed as short-term destinations (but) being used for long-term guests."

A working definition of affordable housing, and how it 'works'. Think 30 percent! "Housing is affordable when an individual or household's Annual Gross Income ('AGE'), or local housing market's Area Median Income ('AMI') – identified by postal zip code and available online at zipwho.com, can lease a conventional apartment and or buy a home (or RV) in this local housing market, using no more than 30 percent of said AGI or AMI, for shelter and its' related household (utility) expenses. For example: $50,000 AGI/AMI X .3 Housing Expense Factor ('HEF') = $15,000, or $1,250/month available for rent or mortgage & PITI (principal, interest, taxes, insurance) & household expenses."[*5] So, does 30% HEF of your AGI or AMI provide access to affordable housing (e.g. RVs)?

The 'big picture' where affordable housing in the U.S. is concerned. Quoting from the Harvard Joint Center for Housing Studies recently released (21 June 2023) report: 'The State of the Nation's Housing' 2020-2023, "Between 2019 and 2021, the country saw a significant drop in housing affordability" and in 2023, "Home prices and rents remain high, as steep interest rates lock homeowners in place and slow construction." Just how bad? According to the National Low Income Housing Council, quoted in *Affordable Housing Finance* magazine (August 2023), "Nationally, the 2023 housing wage is $28.58 per hour for a modest two-bedroom rental home, and $23.67 for a modest one-bedroom rental

home." Just half these amounts easily support the RV lifestyle as a permanent dwelling alternative.

Definition of 'residential housing' is broadening. During June 2023 the International Code Council ('ICC') sponsored an 'off-site construction summit' in Washington, DC. Here, HUD-Code manufactured housing, 'tiny houses', RVs, modular pods, customized shipping containers, and panelized systems were all classified as being residential housing types.*6 Even the American Association for Retired Persons ('AARP') is weighing in on new forms of affordable housing; in their case, using existing structures, like conversion of outdated motels into senior living areas, closed shopping malls converted into senior housing, and unused school building made into housing. Yet another recent addition to this eclectic affordable residential housing mix are "…sheds being converted into cabins and cottages all over the country."*7 The most recent manifestation of 'affordable housing on wheels' was introduced in the 17 August 2023 issue of *USA TODAY* newspaper, in a feature article titled: 'Retired on the Road'. Here they described a 73 foot semitrailer converted into a couple's dream home – named the Nomad Monster.

But there's a problem, a challenge. RVs in general, are not designed or built to be used as permanent housing (i.e. Think lack of insulation, self-contained sewage disposal, ongoing water supply, power, heating fuel and other practical living efficiencies, including unit size). Here, paraphrasing a recent communique out of Washington State: "In an effort to increase affordable housing, some policymakers across the country have begun to look to tiny homes and RVs as a solution. Hence attempts to co-opt RV and PMRV standards and definitions to be used as housing standards. For example, NFPA 119.2 and ANSI A119.5 state these standards are for temporary-use vehicles, but regulatory and legislative efforts are afoot to use RV and PMRV standards to define permanent structures.*8

Examples of recreational vehicles ('RVs') being used as permanent housing.

- From a land lease community (a.k.a. manufactured home community or 'mobile home park') owner/operator with properties in the Midwest and Texas. "Down in the Rio Grande Valley there are several RV parks that cater to 'permanent RV' clientele. These individuals and families live in an RV park year round. Pretty cheap form of housing."
- Another land lease community owner, this time in central Illinois. "Every year I have homeowners/site lessees who live manufactured homes on my rental homesites that leave in the fall to winter in their recreational vehicle (home) somewhere in the south. And I have residents who're 'workampers', living here on-site as construction workers until transferred elsewhere."
- Newby Management, in Ellenton, FL., says, "In our age 55+ RV communities we have an average of 15 percent of the community live there year round. Most of the 15 percent live in park models. Park models are certainly an option for affordable housing. RVs are also an option, but more difficult to live in in hot and cold climates."
- An RV community developer opines that 15 percent or greater, of his RV owners/site lessees, use their recreational vehicles as permanent dwellings



Photo courtesy of Northlake Village RV

Real estate and real estate investment aspect of recreational vehicle living; mobile, permanent, and otherwise. While there are many property portfolio firms catering to the RV industry, we'll briefly profile one here. Roberts Communities & Resorts characteristically develops and operates three types of resorts, two with semi-permanent and permanent feel to them, one as a destination resort.

Their '55+ Snowbird Resorts' fill the need for 55+ (age) active adults desiring a warm place to call home during fall and winter months. Business model? Guests visit in their RV for a while, then sell it and purchase a Park Model at the resort, signing an annual lease. Result? 80 percent of said Park Models are homes away from home.

'Long Term Workforce RV Resorts'. These are all-age RV resorts near major metropolitan areas, where 70-80 percent of guests stay for more than six months. Typical guests include traveling nurses, construction workers, folk looking for a home they can afford in the area. And some simply desire to remain transient – on their own terms.

'Destination RV Resorts'. Again, all-age RV resorts, but close to tourist destinations like national forests or national parks. Most guests stay for a week or less. These resorts are fairly seasonal and affected by higher gas prices and local economy.*[9]

'Village Camp Outdoor Adventure Resorts', is a new brand of RV resort. Concept is to function somewhat like a KOA RV park, encouraging guests to explore the outdoors rather than sitting in camp around a campfire or in one's RV. There're Park Models available for purchase, and if desired, placed in the property's 'rental pool' from time to time, managed by the resort as short term rentals.

Roberts Communities & Resorts properties, as described above, are located in AL, AZ, CA, CO, TX, & UT.

Additional variations of these RV resort types. In central Florida there are Park Model properties where RV owners live year round or semi-annually on rental homesites, as land lease communities. These Park Models are oft 'built out' with a carport on one side of the 'home' and a Florida room (i.e. screened-in awning and small storage shed) on the other side.

Where to buy new and used RVs to be used as temporary and permanent housing?
Anywhere recreational vehicles are sold! Here's what just one retail sales operation offers in Louisiana: "No matter the size of your family, Bent's RV offers affordable housing. Whether you're looking for a fifth wheel or travel trailer, to house your family, we have quality inventory and manufacturers that will make your temporary housing feel a bit more like home. We have a great selection of affordable housing under $25,000 – great quality RVs, but at a lower price! Our $25K and under RVs for sale include top manufacturers. Need bigger space? The Keystone Springdale offers bunkhouse floorplans that sleep up to six people comfortably."

What does the future hold relative to RVs as affordable housing? This is difficult to predict, but here again are the contributing factors as to why more and more RVs will likely be used as affordable permanent dwellings by American citizens in the near future:

- Increased real estate mortgage rates, of late, have hampered home-buying and bank financing of site-built homes by individuals, newlyweds, and families.
- While personal property (i.e. home-only) loans (mortgages) for RVs have even higher interest rates, the purchase price of new and resale recreational vehicles is generally far less than that for a site-built house, even condominium.
- Low housing inventory in many, if not most, local housing markets has made it difficult to find a home to buy and afford. Why? Low inventory is the result of too little new construction, and unwillingness of homeowners to sell their present residence and buy into another one – likely at a higher interest rate.
- Federal government push to relax local land planning and housing zoning restrictions, to make homeownership more affordable.

So, until mortgage interest rates decline, RV prices increase substantially (e.g. 'What effect will the current RV production slide from 500,000 units in 2022 to maybe 300,000 in 2023 have?'), local housing inventories increase nationwide, and federal pressure ameliorates local regulatory barriers to affordable housing, more and more RVs will used as affordable permanent dwellings by this new breed of American homeowners.

Recreational vehicle print periodicals.
RV News, 'The Voice of the RV industry', a trade publication. Contact: dana@rvnews.com

RV Magazine. Published by Good Sam Enterprises for $19.97/year. rvmagazine@cdsfulfillment.com

RV Lifestyle Magazine. $35.00/year

Trailer Life Magazine. $17.00/year (less if a Good Same Club member)

Motorhome Magazine. $35.00/year

In conclusion. Everyone knows there's been, and continues to be, a nationwide affordable housing crisis throughout the U.S. Today it's simply too difficult, if not impossible, to find and afford most types of conventional site-built housing,, due to personal circumstances (Think pandemic, student loans, inflation, peer pressure and more), and the daunting challenges cited in the general housing market. No wonder RV aficionados are opting to become full-timers, on the road and otherwise; and to increasingly view their RVs as permanent dwellings on sites conveyed fee simple, in RV communities, and within land lease communities. Indeed, this is the New Era for RV consumers.

End Notes.

1. 1Quoted from a Manufactured Housing Association for Regulatory Reform ('MHARR') WHITE PAPER dated September 2023 relative to two pending legislative proposals.
2. Ibid.

RVs as Affordable Housing Cont.

3. 1,000,000 = The Washington Post quoting the RV Industry Association ('RVIA').
4. According to RV park developers there are five types of RV destinations: park, campground, resort, community and hybrid. And MHVillage? "…the nation's premier online marketplace for buying and selling manufactured homes…." Likely including Park Models and RVs sited in said communities on rental homesites and used as permanent dwellings.
5. Not all lenders include household expenses in this calculation
6. While Accessory Dwelling Units ('ADUs') were not singled-out at this summit, ADU applies to 'tiny houses', park model RVs, 300 Sq. Ft. 'capsulehouses' (@$35,000) and other similar structures. Some predict 'sheds' with finished interiors and utilities will be the next type ADU considered as affordable housing. Said units are already being marketed by big box stores like Home Depot and Lowe's.
7. Marty Boltres of Shed Builder magazine continues: "…sheds/cabins are built with the same 2X4 & 16" on center construction as any single family home."
8. PMRV = Park Model Recreational Vehicle. NFPA 119.2 = Standard for recreational vehicles, relating to fire and life safety. ANSI A119.5 = Standard used as a building code for PMRVs.
9. Contrast this type RV property with transient parks, usually along interstate highways, where travelers park overnight while traveling from one locale to the next.



MHI is an Arlington, VA. – based national advocate for all segments of the manufactured housing industry, including the land lease community real estate asset class. (703)558-0400

Compiled and edited by George Allen, CPMEmeritus, MHM Master, EducateMHC. Mr. Allen is the publisher of the Allen Report, one of the most read and longest running manufactured housing industry newsletters. In addition, Mr. Allen hosts the annual International Networking Roundtable, one of the industry's best organized MH Industry education events.



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Texas Housing Manufacturers Bullish Heading Into 2024

By Brian Pope, News Release No 10-0124



Photo courtesy of Northlake Village RV

COLLEGE STATION, Tex. (Texas Real Estate Research Center) – Texas manufactured housing activity ended the year on a positive note with nine consecutive months of production increases, according to the December Texas Manufactured Housing Survey (TMHS). Backlogs decreased for the second straight month, and the industry is well positioned for a springtime surge in activity.

"The fourth quarter marked the first time that Texas' aggregate inventory appears to have risen since the end of 2022, indicating that the seasonal pattern of inventory buildup by retailers from the fall through February could be normalizing," said Rob Ripperda, vice president of operations for the Texas Manufactured Housing Association. "Nobody would call 2023 a good year for manufactured home production when looking at total shipments, but manufacturers weathered the storm brought on by interest-rate hikes and are entering 2024 with backlogs of around six to seven weeks."

Although the TMHS new-orders index fell for the second straight month, the six-month sales expectations measure reached a record high heading into 2024.

"Retail sales have reliably jumped higher in March for the past decade, and a rise in production has coincided with that seasonal increase in demand," said Ripperda.

In addition to stimulating sales volume, lower interest rates will result in upward price pressure.

"Prices received for finished homes have declined rather steadily over the past 18 months," according to Wes Miller, senior research associate at the Texas Real Estate Research Center (TRERC). "Lower rates will loosen budget constraints and spur demand for housing. On the supply side, housing manufacturers are confident that the cost of raw materials and labor will increase during the first half of 2024, applying additional upward pressure on prices."

The health of supply chains could play an important role in determining production and prices.

"Last month, supply chain costs were low and relatively stable, and the primary concern was drought-related constraints at the Panama Canal," according to Harold Hunt, Ph.D., TRERC research economist. "In the last 30 days, however, attacks on shipping in the Red Sea have sent spot container rates soaring. The Shanghai Containerized Freight Index (SCFI), a key spot rate indicator for the shipping industry, rose 40 percent in the last week alone."

Manufactured-housing supply chains have exhibited signs of volatility over the past eight months after recovering from COVID-19-related disruptions, but TMHS respondents expect disruptions to dissipate despite geopolitical strife.

"Although costs are currently climbing, total imports to Houston rose almost 30 percent in December from the November level based on data from logistics provider Descartes," said Hunt.

Geopolitical headwinds and domestic election-year concerns weighed on the TMHS uncertainty index but failed to curb respondents' optimistic outlook for the first half of 2024.

ABOUT TRERC

The Texas Real Estate Research Center at Texas A&M University (TRERC) is the nation's largest publicly funded organization devoted to real estate research. Created by the state legislature in 1971 to meet the data and knowledge sharing needs of many audiences, including the real estate industry, instructors, researchers, legislators, and the public, the Center creates public content, including digital and print documents, publications, and multiple format videos which are available at the Center's website. Subscribe to TRERC news releases and other publications here.

ABOUT THE SURVEY

This monthly sentiment survey gauges current conditions and expectations surrounding Texas' manufactured housing industry. All members of the Texas Manufactured Housing Association with manufacturing facilities in the state are invited to participate, and the survey panel represents 89 percent of HUD-code homes produced in Texas. The survey was created by the Texas Real Estate Research Center at Texas A&M University, who administers it and calculates the responses.

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Kurt Kelley - President

Unlocking the Appreciation Potential of Manufactured Homes: Insights from the Urban Institute and FHFA

By Chris Nicely, President
ManufacturedHomes.com

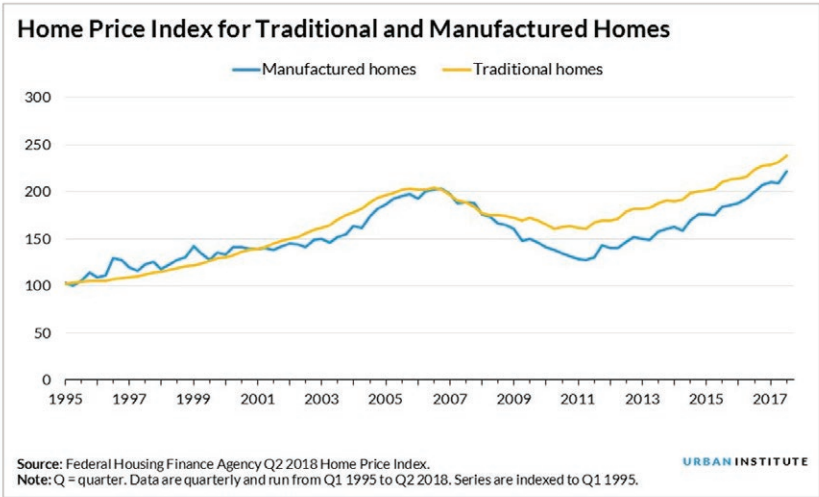


Photo courtesy of Urban Institute

Recently, the housing market has witnessed a notable shift in perceptions surrounding manufactured housing. Long regarded as a more affordable, but potentially less appreciating, there is evidence presented by the Urban Institute and the Federal Housing Finance Agency (FHFA) challenging this paradigm.

Historically, there has been a prevailing notion that manufactured homes may not appreciate as much as their site-built counterparts. However, a groundbreaking report from the Urban Institute sheds light on evidence that challenges this stereotype. According to the report, manufactured homes, when situated appropriately, have demonstrated an appreciating trend comparable to that of traditional site-built homes.

The study, in collaboration with insights from the FHFA, emphasizes several key findings that reshape the narrative around manufactured home appreciation:

Location Matters: One of the crucial factors influencing the appreciation of manufactured homes is the location. When placed in desirable communities, manufactured homes exhibit commendable appreciation over time.

Quality Construction: Today's manufactured homes boast quality construction and name brand materials. While advances in manufacturing processes and building standards contribute to their durability, essential for long-term appreciation.

Affordability and Appreciation: The report highlights the correlation between affordability and appreciation. Manufactured homes, a more affordable option than site-built alternatives, attract a broader range of homebuyers, increasing demand and potential appreciation.

Market Dynamics: Understanding your local housing market is essential. The report delves into how supply and demand, economic conditions, and community development play roles in the appreciation of manufactured homes.

For prospective manufactured homebuyers, these findings have significant implications. Knowing manufactured homes can appreciate over time, positions factory-built housing as a viable long-term investment. This prompts a shift in the broader perception of manufactured homes as a steppingstone in family stability, growing family wealth and homeownership.

The findings from the Urban Institute and FHFA challenge beliefs about the appreciation potential of manufactured homes. By focusing on factors such as location, construction quality, and market dynamics, the report paves the way for a more informed and nuanced perspective on the value and investment potential of manufactured housing.



Chris brings nearly 30 years of expertise in factory-built housing and management. With a proven track record, he has collaborated with industry leaders, non-profits, developers, and municipalities to leverage factory-built housing for positive community development in cities such as San Bernardino, CA; Phoenix, AZ; LaGrange, TX; Danville, VA; Jackson, MS; and Detroit, MI.

Chris previously served as CEO of the non-profit Next Step and as Clayton Homes' VP of Marketing and as VP & General Manager for the Clayton Communities Group, overseeing 80 communities, 22,000 home sites, and sales exceeding 100 homes monthly. Chris recently contributed to a published study by the Joint Center for Housing Studies at Harvard, comparing the cost of site-built housing to manufactured housing.

Holder of a BA in Economics from the College of Wooster and an MBA in marketing from Case Western Reserve University, Chris is a graduate of Harvard's Achieving Excellence in Community Development.

3 Keys to Appealing an Unfair Assessment

By Michael Miller



Photo courtesy of RisMedia

This is a challenging time in the property tax world. Pandemic-era federal assistance programs have dried up, increasing communities' appetite for tax dollars to deal with crime, homelessness, transportation and other issues. Recognizing that inflation has put taxpayers under pressure, governments may offer tax relief to homeowners, their voters, but not to the commercial property owner.

In Colorado, a November ballot issue would reduce the valuation of a residential property by $40,000 and of a commercial property by $50,000. This will be little help to an owner of a $2 million commercial property.

Relief for the commercial property owner must instead come from a deep dive into the assessor's valuation, best performed by the property owner and an experienced property tax professional working as a team. What follows are key stages for preparing an appeal.

1. Understand and observe all filing deadlines.
Every state has a deadline for starting the appeal process. If a taxpayer misses that deadline, they lose the right to appeal. In some states, after paying their tax, a taxpayer might be allowed to file for an abatement sometime later.

It is important to provide the property tax professional with relevant information in sufficient time to analyze it before filing the appeal. This is a challenge in many cases, such as when the taxpayer receiving tax notices is out of state and their advisor is local. Contacting the advisor before tax notices go out can provide a head start, often enabling the advisor to find the property's taxable value before the notice arrives.

2. Critically analyze the assessment basis.
By itself, a substantial value increase does not qualify as a reason to appeal. Often, the assessor will justify the increase based on the general market strength shown in substantially rising prices. The taxpayer must ask, is this for the entire county, or for this specific type of property in this specific location?

A recent example illustrates how assessors' generalizations can overstate an individual property's value change. As our firm appealed a client's assessment in an expensive resort area, the local newspaper quoted the assessor stating that prices had increased 50% or even more. Available sales of comparable properties all occurred at least a year prior to the valuation period, while one was near the valuation period.

The assessor trended the earlier sales to the valuation period by making a 50% adjustment to each sales price. However, our team compared the most recent year-ago sale with the current sale of a comparable property in the same location, showing that the price per square foot only went up 14%. It was clear the 50% increase was a mass appraisal number covering the entire county, while prices in the subject property's submarket increased at a much slower pace. This deep dive yielded results in the appeal.

3. Analyze the assessor's comparable sales.
Most jurisdictions require assessors to value the fee simple estate, the real estate alone. Assessors have attempted to debate what this means, but what it clearly does not mean is a sale price based upon the income generated by a lease. Nor can the taxable value be based on the success of the business operated from the property.

Simply stated, fee simple value must be limited to the real estate, not the business. When applying this to an owner-occupied property, this means a fee-simple buyer would be purchasing a vacant property. Value is based on the price at which a willing buyer would buy, and a willing seller would sell, the property. And in the sale of an owner-occupied property, there is no lease.

Often in this situation, the assessor will nevertheless use the sale of a leased property as a comparable. It is not comparable, because the buyer is buying the income stream from the lease, not just the bricks and mortar. Moreover, the rent seldom reflects current market rent. Possibly the lease was signed when rents were higher than today, the lease escalated rents automatically, or the landlord agreed to build the property according to the tenant's specifications and increased the rent by the amortized cost. Every lease is unique. The sale of a leased property is simply not the same as the sale of a property without a lease.

3 Keys to Appealing an Unfair Assessment Cont.

While examining income properties within the assessor's comparable sales, be sure to analyze the income's source. Taxable values of income-producing properties are based on income derived from the real estate and not income derived from other sources.

A hotel buyer, for example, is buying not only the bricks and mortar, but also the flag or brand, and the hotel's reputation. These are intangibles included in the acquisition price. However, intangible value is not subject to a property tax.

Another example of this concept is seniors housing. Seniors housing has numerous profit centers beyond rent for the room. It may have a beauty shop, a physical therapy center, a recreation facility such as a bowling alley, special medical services and many other offerings. The resident pays rent, but also pays extra for the many services. For property tax purposes, the income used to determine value must be separated between business cashflow and income generated from the real estate.

Property tax in the current environment can indeed present a challenge, but it need not be overwhelming. The taxpayer must analyze the assessor's value in depth to find factors that would result in a successful appeal. It may start with sticker shock over the assessor's notice, but an experienced tax professional's analysis can level the playing field between the assessor aggressively pursuing increased funding and the property tax owner looking for tax relief.



Michael Miller is Of Counsel in the Denver office of Spencer Fane, the Colorado member of American Property Tax Counsel, the national affiliation of property tax attorneys.



How to Pay Lower Taxes and Receive Higher MHP Investment Returns with Cost Segregation and Bonus Depreciation

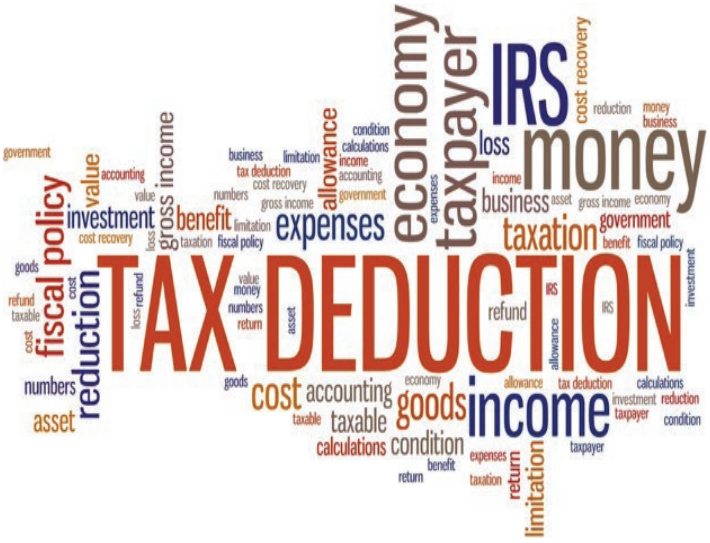
By Harry Shurek, The MHP Accountant



The mobile home park (MHP) sector has rapidly risen in popularity as highly lucrative and full of opportunities for investors seeking substantial returns. Due to the sector's remarkable growth and the broader market dynamics, strategic tax planning has never been more critical. Combining a Cost Segregation study alongside the current Bonus Depreciation regulations is a powerful strategy to enhance tax efficiency while increasing the profitability of investments.

What is a Cost Segregation Study?

Cost segregation is an IRS-approved tax optimization strategy that allows for accelerated depreciation deductions, effectively slashing tax liabilities and increasing cash flows for property owners. A Cost Segregation Study includes a detailed examination of the acquired property, during which specific property sections are identified and reclassified from being categorized as 27.5 or 39-year depreciation property into property that depreciates (gets written off, deducted on taxes) over significantly shorter periods of 5, 7, or 15 years.



What is Bonus Depreciation?

Bonus depreciation is a tax benefit that allows businesses to deduct a sizable portion of the purchase price of qualified assets in the initial year placed into service instead of spreading the deduction over the asset's life span. This provision allows for the total cost of these eligible assets to be deducted in the first year they are placed in service, significantly reducing taxable income and, therefore, the business's tax liabilities for that year.

Under recent tax laws, businesses can claim bonus depreciation on eligible assets placed in service in tax years 2017-2026, specifically those falling within the 5, 7, and 15-year categories, such as machinery, equipment, and eligible real estate improvements.



Combining Bonus Depreciation with a Cost Segregation Study

The taxable effects become even more pronounced when bonus depreciation is combined with a cost segregation study. Under current tax laws, depending on the year of property acquisition, businesses can deduct up to 100% of the cost of sections of eligible property in the year it is placed in service. Therefore, assets identified through a cost segregation study as eligible for 5, 7, or 15-year depreciation schedules can also qualify for bonus depreciation. This re-classification means that MHP owners can deduct the total cost of these assets in the first year rather than over their respective depreciation periods.

This strategic tax combination effectively front-loads the tax deductions, significantly reducing the owner's taxable income in the year of purchase or improvement. The result is a substantial decrease in tax liability and increased available cash flow for the business. This increased liquidity can be pivotal for MHP owners, providing them greater flexibility to reinvest in their properties, reduce debt, or pursue new investment opportunities.

Cost Segregation in Action

Consider a $1 million mobile home park (MHP) acquisition in 2022, where 60% of the purchase price is allocable to



depreciable assets (land is not depreciable). Under the straight-line depreciation method, the depreciable basis of $600,000 (60% of $1 million) is spread evenly over the property's IRS pre- defined useful life of 27.5 years.

To calculate the annual depreciation expense, we divide the depreciable basis by the property's useful life:

Annual Depreciation Expense=
$600,000 Depreciable Basis / 27.5 Years = $21,818 per year

Continuing with the example of the $1 million mobile home park (MHP), where 60% ($600,000) of the purchase price is depreciable over 27.5 years, let's look at the effect of applying a Cost Segregation Study and reallocating 30% of the depreciable property to assets that qualify for shorter depreciation lives of 5, 7, or 15 years - making them eligible for 100% bonus depreciation.

To determine the updated Year-1 depreciation expense, we will focus on the portion of the $600,000 that pertains to the assets reclassified through the cost segregation study.

New Year-1 Depreciation Expense=
$600,000 Depreciable Basis * 30% Reallocated = $180,000 of Eligible Year-1 Depreciable Assets

We'll assume that this entire reallocated sum of $180,000 qualifies for 100% bonus depreciation in the initial year of service. The immediate impact of this reallocation and application of 100% bonus depreciation is that the entire $180,000 can be deducted from the taxable income in the first year of ownership, significantly reducing the park owner's tax liability for that year while at the same time opening up more cash for additional investment and use in operating the company.

The Impact of Recent Legislation on MHP Investments

Bonus Depreciation currently stands at 80% for tax year 2023 and 60% for 2024. However, the "Tax Relief for American Families and Workers Act" is a pending law recently passed in the House of Representatives, and it will most likely retroactively reinstate 100% bonus depreciation for both the 2023 and 2024 tax years. This legislation could significantly impact your MHP property tax strategy. As it stands now:

- **Properties purchased between 2018-2022:** Still eligible for 100% Bonus Depreciation, provided you have not opted out of bonus depreciation on your tax filings for those years.
- **Properties purchased in 2023:** Currently at 80% Bonus Depreciation, but this will most likely change with the new legislation.

The recent legislative shifts, particularly the potential increase in bonus depreciation to 100% for 2023 and 2024, present a significant opportunity for MHP investors. This change amplifies the benefits of cost segregation, allowing investors to claim immediate deductions on a more substantial portion of their property, thereby significantly enhancing cash flow and reducing tax obligations.



How Does This Pending Legislation Affect My Tax Filings This Year?

You are most likely asking yourself whether it makes sense to file taxes now under the current rules of bonus depreciation or to wait until the new legislation is fully passed and signed into law - the answer depends on the individual situations of the owners and investors in the property. In my opinion, the best course of action (and what our practice is advising our clients) would be to complete the tax filings due in March and April and distribute the K1s to the individual investors utilizing the currently approved bonus depreciation percentages so estimated taxes can be calculated. This will allow taxpayers to either finalize their tax filings and pay what is owed for the tax year based on current rules or to pay the estimated taxes due and file an extension to complete their tax filings after the new law is signed. In the worst case, if taxes are finalized

and then the legislation is signed, an amended tax return can be filed to capture these additional depreciation deductions, and a refund or tax credit will be issued.

The strategic integration of Cost Segregation Studies combined with bonus depreciation presents a powerful opportunity for mobile home park (MHP) investors to enhance their investment returns while minimizing tax liabilities significantly. Investors can realize substantial tax savings by reclassifying certain assets for accelerated depreciation and leveraging the full potential of current bonus depreciation laws. This, in turn, frees up considerable cash flow, offering the flexibility needed to reinvest in their properties, reduce debt, or explore new opportunities.

With the potential changes in legislation poised to benefit investors further through increased bonus depreciation rates, there has never been a better time to examine the tax strategies surrounding your MHP investments. Proactive planning and consultation with experienced tax professionals (like me, The MHP Accountant) can ensure that you are positioned to take advantage of these and any other tax savings tools that are available to make your business more profitable and less taxable.



Harry Shurek, widely recognized as The MHP Accountant, is a distinguished serial entrepreneur with a career that spans more than two decades in the specialized fields of public accounting and taxation. His expertise is augmented by over ten years of experience in sales and seven years across various banking roles, enriching his financial acumen. Leading Shurek Accounting & Tax, which celebrates its 15th anniversary of operation, Harry has cemented the firm's reputation as a cornerstone of support for companies and individuals. His development of specialized accounting practices such as The MHP Accountant for the Mobile Home Park industry, The Crypto Accountant for the burgeoning cryptocurrency market, and MCA Accounting Solutions for the legal cannabis sector, demonstrates a profound dedication

to addressing the unique challenges of diverse sectors. This rich mix of expertise in accounting, sales, and banking gives Harry a distinct perspective, enabling him to deliver invaluable insights and customized strategies that resonate with the goals and challenges faced by serial entrepreneurs. Harry's extensive background positions him as more than just an accountant; he is a strategic partner for those navigating the complex world of entrepreneurship.



3 Reasons Why Increased Revenue Doesn't Mean Higher Property Tax Values

By Andrew Albright and Stephen Grant



Photo courtesy of H&R Block

Hotel revenues are entering a post-pandemic rebound, but what about taxable property values? Although revenues are bouncing back, it does not mean hotel values for property tax assessments have reached pre-pandemic levels.

Recovering revenue is only part of the valuation story. To protect themselves from unfair tax bills, hotel owners may need to clarify to assessors how the pandemic's aftermath is affecting their properties. These taxpayers should point out factors that drag down their hotel's bottom line and provide grounds for reduced assessments.

Here are three factors that can offset increased revenue and lower market value. Hotel owners should consider each in preparing arguments for an assessment reduction.

1. Soaring Stabilized Expenses

Property tax assessments must reflect costs, and hotel expenses have increased across the board. Naturally, expenses are a primary consideration when valuing hotels. The higher the expenses, the lower the net operating income and the lower a hotel's market value. The complicated step in addressing these costs is determining the property's stabilized expenses.

A stabilized expense estimate calculates the ongoing operational costs of the property under typical, sustainable conditions. Obviously, expenses have been anything but typical, due to labor shortages, inflation and supply chain issues.

Operating expenses went through the roof during the pandemic and stayed there. Payrolls increased dramatically, for example, in large part due to the "Great Resignation" that sparked a labor shortage and higher wage demands from current and prospective employees. Historic inflation increased hotel costs for supplies, food and beverages, service delivery and amenity offerings. Utilities and maintenance expenses shot up as well. Taxpayers should show assessors how these swelling costs have lowered margins.

Some short-term pandemic-related measures require special attention. To bolster margins, many hoteliers reduced staff counts, services, and room turnover. It is unclear whether these changes are sustainable in the long term, as consumers demand lost services and amenities. It may be inappropriate to factor short-term cost-cutting methods into a value analysis because they do not reflect stabilized expenses and could distort the hotel property's true market value. In those situations, it may be necessary to use market expenses instead of actual expenses from the profit-and-loss statement.

2. Deferred Capex and Reserves for Replacements

As a corollary to expenses, consider a hotel's reserves for replacements as the industry emerges from the pandemic. A reserve for replacements is money hotels set aside to cover major capital expenditures beyond normal operating expenses. Recognizing that hoteliers were hurting during the pandemic, many hospitality brands temporarily relaxed property improvement requirements. In turn, hotel operators may have deferred capex for maintenance and renovations due to financial constraints.

Coming out of the pandemic, hotel owners may need to set aside a larger reserve percentage as the industry recovers. Reserves for replacements have historically been between 3 percent and 5 percent of revenue for full-service hotels and 4 percent to 6 percent for select-service hotels.

Depending on the individual property and its brand, it might be appropriate to increase those percentages briefly while the property is brought back up to standards. The increased deduction would lower net operating income, which consequently would lower the market value. If a property has fallen below brand standards, it should be factored into the hotel's valuation and brought to the local tax assessor's attention.

3. Climbing Cap Rates

A benchmark for industry risk, cap rates are simply the relationship between NOI and value. When cap rates go up, values go down.

Interest rates have a direct impact on cap rates: As interest rates go up, raising the cost of debt and equity, cap rates climb. The Fed's recent interest rate hikes have driven up cap rates, pressuring down hotel values.

In many cases, the interest hikes have made it unviable to build or buy new hotels and have made hotel ownership riskier altogether. The question becomes, how should cap rates factor into property tax assessments?

3 Reasons Why Increased Revenue Doesn't Mean Higher Property Tax Values Cont.

There are several ways to derive cap rates for hotels, and taxpayers should consider all the methods to know which provides the most persuasive grounds for value reduction. Many tax assessors derive cap rates through market extraction by looking at the sale of comparable properties. That method ignores interest rate increases and incorporates intangible value, which is generally not taxable and hard to extract from overall value.

The band of investment method is a helpful way to derive cap rates and involves building up separate cap rates for a property's debt and equity components. This can be advantageous because it accounts for interest rate increases, which the market extraction method does not. Tax assessors need to consider the effect of interest rate hikes on cap rates, as it can create a path to lowering a hotel's tax burden.

Recent hotel revenue recovery only tells part of the story for property tax assessments. To control property taxes, hoteliers and asset managers must highlight how growing operating expenses, reserves for replacements and cap rates diminish market values. Each taxing assessor has a unique perspective on valuation, so it is always helpful to engage knowledgeable, local tax professionals to help ensure hotel owners are maximizing tax-saving opportunities.





Andrew Albright is an attorney and manager, and Stephen Grant is an attorney at the Austin, Texas law firm Popp Hutcheson PLLC, the Texas member of American Property Tax Counsel, the national affiliation of property tax attorneys. The firm devotes its practice to representation of taxpayers in property tax disputes.

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Rent Increases: What is Fair? What is Healthy? What is Right?

By James Cook

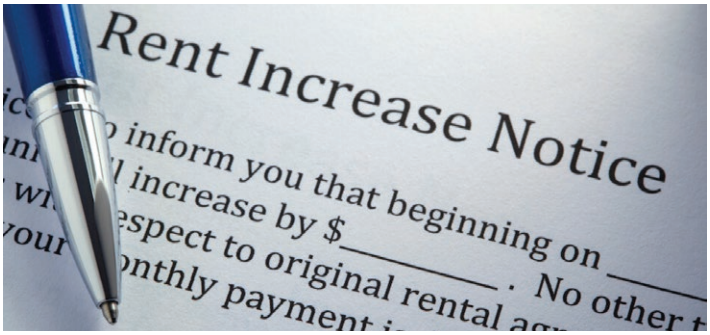


Photo courtesy of Stessa

How should a community owner raise rent at their property? This is clearly a very difficult question to answer and somewhat of a taboo subject to even discuss in writing, but it is a conversation that needs to be had, instead of pretending like it doesn't or shouldn't happen.

Why is it important and why is it so touchy? Well, there are two extremes that I see playing out all too often with a property's rents. Either an ownership group has owned a community for too long and rents have fallen way behind market. Or you will hear about a new owner coming in and doing a massive rent increase all at once, disturbing the community and creating bad press, that negatively affects the industry as a whole.

There are several obvious "pros" of having low rents. First, your residents will love you. Second, home sales will be brisk, and home values will be high. Third, your resident base will have very little turnover.



Photo courtesy of AZcentral

Conversely, there are also several "cons" of having low rents. The most obvious is eroding margins; as expenses increase on everything from labor to real estate taxes to insurance, but your rents stay the same, your margins will continue to suffer. Then, eventually as the community ages, it will start requiring significant capital improvements. For instance, original water and sewer lines from many communities built in the 50's, 60's and 70's are comprised of obsolete materials, and eventually must be replaced...this can cost thousands per unit, and hundreds of thousands (or even millions) across a community to replace. But with low rents, the owner could have limited resources to make these improvements. Another potential problem is that resident homes can appreciate too much, as new residents must overpay to buy their homes in a low lot rent community. In many cases, the math works out that the tenants really aren't saving much, because while they may save $100 a month on rent, they're paying $10k-15k more to purchase their home. This creates a lot of home liability in the event something destroys or severely damages their home. Finally, there is the combination of the first two factors and the not so obvious problem to most consumers of the "highest and best use". Namely, the property becomes worn down, ownership can't afford to make major investments due to very tight profit margins, and the community becomes susceptible to developers making offers for the land, and a change of use, that can far exceed the income valuation.

As a broker and the owner of an advisory company that does business with community owners across the US, there is a pattern I see frequently that tends to keep rents down. A family patriarch built an MH community in the 1970's, the second generation inherited (or took over management) in the 2000's, and today, the third generation is getting ready to take over. Along the way, the debt or financing used to build the property, buy out partners, etc. has been amortized and paid off. Now, they have no financing or interest payment responsibilities, and because they inherited the property, there are no equity partners looking for massive returns. The owner does all the work themselves, which keeps operating costs artificially low. Furthermore, this ownership usually has a generational tie to the residents and reputation with them to uphold. With all these factors at work, the rents are inherently under market.

For these purposes, let's use an example of a generic community in a growing metro. The rents of new 2-bedroom apartments range from $1,500 to $2,000, surrounding single family home prices average in the $300k's, and the lot rents of communities that have sold in the last 10-15 years are in the $600's. But the family above has decided to keep rents artificially low, and therefore subsidize the community with $400 lot rents. The next generation is taking over, and they

have capital expenditure risks coming from the aged roads, terracotta sewer lines, galvanized water lines. Moreover, some of the cousins want to sell their shares or be bought out. The rest of the owners are faced with either letting the community deteriorate or starting to make some larger rent increases to make up for the increased costs they are incurring. Meanwhile, residents are putting their homes on the market that they purchased in the 70's, 80's and 90's, and in many cases selling for nearly as much, or even more than they originally paid for those homes. So, the family goes to the bank to borrow the funds to buy out partners and start making major capital improvements. Again, in many cases, this could be millions in total capital needed to continue to own and operate without service disruptions, etc. With these newfound expenses, the family has to increase rents in order to maintain the same income levels upon which they have been living. Prior to increasing the rents, they do a rent survey of nearby communities and realize just how far behind the market they currently are. In this example, let's say they raise their rents nearly to the $600 market rate with one notice. This would be an extreme example, but in order to stay viable, profitable, and maintain their personal responsibilities, it could easily be justified. Alternatively, they could raise the rents over a 3–5-year period to "catch up" with the market. These seem to be the two options at their disposal.

However, there is a third option, which I propose is the fairest option, and I am shocked how few owners really capitalize on it. That option is "Go to Market on Turnover".

How does this work? Well, you might only want to raise existing residents' rents at a pace of 10% per year to try and catch up to the market slowly, but when a home sells in most markets, you have the option to take the rents to market for the new resident. This helps the new resident not overpay for the home based on the subsidized or artificially low rents, and ultimately lowers their overall risks and exposure. Since the market is efficient, they typically aren't saving anything because what they save on low lot rent, they pay in increased home price anyway. So why should the tenant who is selling their home, and leaving your park for good, benefit from your generosity of below-market rents? This immediately gets your rents to market, and your new tenant never knew anything less, so there are no hard feelings.



Photo courtesy of All Things Product Management

The best way to do this is to have your market rent survey posted on your website, in the office, etc. Make it very clear that all residents must be approved by management before purchasing a home in the community and list your market rent price for new residents conspicuously. This does two things: 1) it shows the existing residents how much the owner is giving them every month virtually as charity, and 2) it makes it very transparent for new residents to plan their budget around.

Now, of course some who don't understand economics are always vying for more regulation and control, and this helps politicians get more votes. Again, if you are not adept or well-versed on how supply and demand works, it is easy to signal that landlords are bad and greedy, and to hand the pricing controls and mechanism to a group of bureaucrats who have no effort, investment, or stake in the property, and make the landlord responsible for all risk with no control of value. On its face, this is often voted on in countries who have reached their peak and are in decline. It is simply price controls.

What needs to be understood by all parties (tenants, landlords, governments alike). is that controlling the price of something does not solve any problems - you must increase the supply! As a population grows and properties age, you need to encourage the construction of more properties and the re-investment in existing properties. This will keep prices down and the quality of life up.

In a free market, the consumer will ultimately win with more options, more evolved housing, and better pricing. The examples of this today are easy and obvious. Take Houston, Texas as an example. It is a market with a strong economy and low housing barriers from the government. It is one of the most affordable housing markets in a major MSA across the US as new supplies are always coming online. Meanwhile, this same laissez-faire governmental posture ensures the residents of its city have lots of job opportunities and enjoy a great income to low-cost housing ratio. By contrast, let's discuss New York State or California where the voter and politician alike have both decided the "bad guy" is the landlord and the "good guy" is the government official who promises to redistribute or essentially just steal from one and give to the other, as they see fit, and mostly for votes and power….What could possibly go wrong?

Rent Increases: What is Fair? What is Healthy? What is Right? Cont.

Well let me give you a few examples, in highly restricted Los Angeles County, there are coastal MHCs with lot rents of $800 a month, but no "vacancy decontrol" or "Going to Market on Turnover". In these parks a VACANT SITE with a lease will sell for upwards $600-800k just for a vacant lot. This is a simple artificial wealth transfer from the property owner transferred to the existing tenant. As one quote I heard, rent control is a ONE-TIME transfer to the existing resident. Meanwhile in order to get the lot rent of $800, which unregulated would be $3,000+, people are paying $600k for a lease. Then they have to set up their expensive home and ultimately save nothing.

Another example of under market rents was a recent sale on Bradenton Beach that I completed. The owner had owned since the 1970's and lot rents were $650, comparable parks were charging $1300+, and the surrounding home prices were in the $1.5-3m range. So, in order to buy into the low lot rents, new residents were paying $180-250k for an original 10x50 1960's singlewide unit. This gave them way too much exposure to a natural disaster, where they would lose all their equity in a hurricane. The new owner could simply put turnover rents to $1,300 and instantly those homes would fall in value to a fairer range of say $60-80k. Still enough to replace homes if one has to come out, but not 3 times the value of a new home, and in many cases 5-8 times more than the homes sold for when purchased originally. Once again proving that there are no discounts because the price manifests in a different way, in this case inflating the home values in the community. Further, you can't regulate the surrounding single-family homes, which keep going up with demand and ultimately are why the home in a land leased park would go up so much.

Then turn to New York State where you have slow population decline, and the state has decided to pass statewide rent control. Today there is no incentive to build new parks, barriers are high, regulations are high, and upside is limited. So, a developer does the math and says the risks outweigh the rewards and my capital is treated better elsewhere. Now, just like multifamily family development in Manhattan, development is essentially totally non-existent in this market. And less future generations will be served by new affordable housing.

In summary, in a truly free-market functioning economy, prices will always regulate themselves. When they reach a profitable level for new construction, developers increase the supply, the consumer gets newer, nicer, better options, and the prices moderate as supply increases. The first reaction to governments impeding new construction is the landlord hold the power of pricing, and raises rents, then in some cases it gets carried away. The next reaction is the voters come out and protest then the politicians propose rent controls. This facilitates the vote against the landlord to stop market-based rent increases, then eventually all consideration of new construction. A couple true cliches to remember when dealing with landlords and price controls, "water will always seek its own level", if we let it, and "the cure for high prices is high prices".

I will close with this quote, that has been originally attributed to an avowed communist:

"Assar Lindbeck, a Swedish economist who chaired the Nobel prize committee for many years, once reportedly declared that rent control is "the best way to destroy a city, other than bombing.""



James Cook took his first MH & RV assignment in 2005 and fell in love with the stability and strength of the asset class. In 2007 he pivoted to an exclusive focus on the industry and in 2012 Yale Realty and Capital Advisors was launched. With over $1 billion in career sales, James is a respected figure in the niche, having closed hundreds of community sales and consulted on many more. He leads a cohesive, national team of 9 directors covering each respective region of the US. Beyond work, James is an enthusiastic foodie and traveler, having explored 80+ countries and always ready for the next adventure, especially if it ends with a good meal.

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Modern Property Tours: The Pros, Cons of Self-Tour and Virtual Tour Tech

By Leah Maher



Photo courtesy of InstaShow.app

In the ever-evolving landscape of real estate, property tours stand firm as the critical gateway to success in the real estate game. Like any first impression, the first tour of a vacant unit is pivotal in turning prospects into renters. This will simply never change – however, the challenges surrounding property tours are changing with the times for both landlords and potential renters. In this article, we'll explain where the traditional property tour falls short in the digital age, the pros and cons of some technological alternatives, and the cost of investment to implement them.

Attracting and engaging individuals to explore listings requires thoughtful and inventive approaches. So what issues are standing in the way of renters and landlords when it comes to property tours? For renters, this includes limited availability, travel planning, access to transportation, organizing information and documentation to meet rental requirements.

For landlords, their first problem will always be attracting interested, quality tenants. Once a unit has garnered interest, the biggest issues are scheduling and executing as many property tours as it takes to secure a tenant. And facing both: the tedious process of back-and-forth communication to settle on a time for a guided tour.

What are Virtual Tours?

Virtual tours of rental properties are digital, interactive representations of real estate spaces that allow potential tenants or buyers to explore the property remotely. They have become increasingly popular due to their convenience and in light of the pandemic, especially for prospective tenants who may not have the opportunity to physically visit the property. These are the most common formats for virtual tours:

1. **360-Degree Tours:** These provide an all-encompassing view of the property, allowing viewers to look around in all directions, mimicking the experience of being in the space.
2. **3D Video Tours:** Recorded walkthroughs that guide viewers through the property, showcasing key features, rooms, and amenities.
3. **Interactive Floor Plans:** These allow users to click on different rooms or areas within the floor plan to see photos, videos, or descriptions of those spaces.

The Cost of Virtual Tours

The cost of creating a virtual tour for a rental property can vary significantly based on several factors:

1. **Technology and Equipment:** Basic 360-degree cameras or smartphones with panoramic capabilities can create simple virtual tours. However, higher-quality tours require specialized cameras, such as DSLRs with wide-angle lenses or dedicated 360-degree cameras with stabilizing tech to prevent a shaky, handheld quality. Prices range from a few hundred dollars to several thousand dollars, used and new.

2. **Software and Hosting:** There are low-cost platforms available for creating basic virtual tours. However, more advanced, and feature-rich software will come at a higher sticker price. Pricing models depends on the service provider, either a subscription fee or by the number of tours you wish to host.
3. **Professional Services:** Hiring a professional photographer or a company specializing in virtual tours can significantly impact the cost, but also produce the highest quality content.
4. **Property Size and Complexity:** Larger properties or those with intricate features might require more time and effort to capture in a virtual tour, potentially increasing the cost.

As a rough estimate, creating a basic virtual tour using a smartphone or entry-level 360-degree camera could range from a few hundred dollars to around $1,000. However, for more professional-grade tours or larger properties, the cost could be several thousand dollars, potentially reaching upwards of $5,000 to $10,000 or more. There is an added cost for hosting the tour indefinitely, and/or using a service that allows interactive floorplans.

Consider the investment of your time as a cost with a virtual tour, as regularly updating the virtual tour to reflect the property's current condition and maintaining its accessibility online is essential.

The Impact of Virtual Tours

While virtual tours are generally advantageous in attracting potential tenants, this report from Harvard Business School concludes that their biggest impact to efficiency and sales is satisfying searchers enough to refrain from pursuing it – sparing the investment of time and resources on arbitrary leads.

Additionally, there are several factors might potentially hinder the effectiveness of a virtual tour and, in turn, impact the likelihood of filling a rental property:

1. **Inaccurate Representation:** If the virtual tour does not accurately represent the property, expect disappointment when prospective tenants visit the property in person.
2. **Poor Quality or Presentation:** Blurry images, distorted views, or glitches in the tour form a negative impression of the property and diminish interest.
3. **Technical Issues or Accessibility:** Difficulties in accessing the virtual tour or compatibility issues with devices can frustrate potential tenants, leading them to abandon the viewing experience altogether.
4. **Over-Reliance on Virtual Tours:** Relying solely on virtual tours without offering alternative viewing options (such as in-person tours or additional property information) might limit the accessibility of the property to a segment of potential tenants who prefer different viewing methods.

It's crucial to ensure that the virtual tour accurately represents the property, is of high quality, provides comprehensive information, and is easily accessible across different devices. Additionally, offering multiple viewing options, including in-person tours or additional property details, can complement the virtual tour and cater to a wider audience of potential renters.

Final Thoughts on Virtual Tours

While virtual tours can give your listing an advantage over those that lack one, they won't be fully replacing an in-person tour anytime soon. While the investment in a high-quality virtual tour can pay off – it usually acts as an appetizer where the physical tour is a main course: it doesn't fully satisfy most potential renters but makes it more likely that they will schedule a visit versus a listing without a virtual tour available. If your properties tend to attract unqualified applicants, virtual tours are a great tool for preventing unnecessary investments of time and resources.

There are ways a virtual tour can hurt more than help, so if they are to be done at all, it's worth the investment for a high quality user experience. Today's tenants are short on time but skilled in their research process – virtual tours are a lucrative move for properties that have high turnover rates or units that have sat vacant long enough to warrant changing tactics to get it filled.

What are Self-Tours?

A "Self-Tour" refers to a process where prospective tenants or buyers can tour a property on their own, without the presence of a real estate agent or landlord. Given the prevalence of mobile phone use in property searches, the trend towards self-touring aligns seamlessly with consumer preferences. Property managers are observing a rising popularity in self-guided property tours, especially among tech-savvy renters accustomed to on-demand experiences.

A robust Self-Tour Application automates these tasks:

1. **Advertising Listings:** Property managers upload the listing description and photographs for available units and set the parameters for visitation.
2. **Scheduling Tours:** Prospective tenants or buyers schedule Self-Tours through an online platform or app. They choose a convenient time slot to visit the property and may not need to directly communicate with the property managers at all.
3. **Access:** Some Self-Tour systems utilize smart locks or lockboxes to provide access to the property during the scheduled time.

4. **Exploration:** Once inside the property, visitors can freely explore the space at their own pace. They can spend as much time as they need in each room, evaluating the property's suitability without feeling rushed.

Follow-Up: After the Self-Tour, interested visitors may contact the listing agent or property manager for further inquiries or to proceed with the rental or buying process.

The Advantages of Self-Tours

Self-Tours offer several advantages for both potential tenants/buyers and property managers/landlords. Here are the obvious ones:

- **Flexibility:** Visitors can schedule tours at their convenience, including evenings or weekends, without being tied to an agent's availability.
- **Privacy:** Prospective tenants or buyers can explore the property without feeling pressured or influenced by a real estate agent.
- **Efficiency:** Self-Tour save time for landlords by eliminating the need to be physically present for every showing, and the time it takes to schedule a guided tour in the first place.
- **Low-Cost:** Various pricing models are available with this service. There is a hard cost for hardware, with smart lockboxes ranging from around $75 – $300, and smart cameras in the same range. The cost of the software may be subscription-based or based on the amount of tours a property manager would like to offer. Using some services, property managers can even charge visitors per tour. Between this option and the spared time and resources, the service truly pays for itself.

Are Self-Tours Safe?

Allowing solo access to vacant units tends to set off red flags. However, with the latest developments in Self-Tour applications, every worry is quelled with sound technology. Here is how the top-of-the-line Self-Tour apps not only ensures the safety of all involved parties and property:

Security Concerns:

1. **Verified Users Only:** Proof of identity is required in order to register, capturing identification via driver's licenses, passports, and state ID cards and requiring a selfie that matches the ID photo. Before becoming fully verified, the application then runs background checks on the individual.
    - Additionally, users can upload other tenant application requirements such as pay stubs or loan documents that the property managers may mark as required for scheduling a tour at all.
2. **Point of Access:** Using location data, the app can recognize when the visitor's device arrives at the property for a scheduled tour. Prior to allowing entry, real-time identity verification is required in the form of a selfie that matches their verified identification. The most secure procedure requires a biometric verification with a "liveness" check, capturing a blink during selfie capture, making sure that it truly is the authorized visitor holding the device on the doorstep.
    - Some applications transfer a lockbox access code to the visitor's phone. It is to be noted that access codes are shareable with unauthorized parties, completely compromising security. Therefore, Bluetooth access to the lockbox is the safest method of granting access to a property.
3. **Property Condition:** Without a representative present, there might be a risk of damage or misuse during the visit. There are three ways Self-Tour Technology can offer protection here:
    - **Smart Camera Compatibility:** linking exterior and interior smart cameras on the property allows surveillance in real time, and can also enable communication between the visitor and the property manager.
    - **Chain of Custody Recording:** logging the access record with exact timestamps and information regarding the smartphone used to trigger the tour.

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15 Tax Deductions for Landlords During Tax Season

By AAOA



Photo courtesy of TransUnion

When tax season approaches, don't forget to look for money-save tax deductions for landlords. If you rent out property, you might be eligible for deducting related expenses. Landlords can claim tax deductions for many things, including mortgage and interest payments, insurance premiums, maintenance and repairs, administrative costs and supplies, eviction-related fees, depreciation and losses, travel, professional services, and more.

Remember that this material is intended to provide you with helpful information and is not to be relied upon to make decisions, nor is this material intended to be or construed as legal advice. You are encouraged to consult your legal counsel for advice on your specific business operations and responsibilities under applicable law. Trademarks used in this material are the property of their respective owners and no affiliation or endorsement is implied.

Any game is hard to win if you don't know the rules. Being a landlord is no different. Oftentimes, juggling tenant needs, paying insurance premiums and mortgages on time, and squaring up at tax season can feel like a chess game where the pieces keep changing.

While the objective is a successful rental business, that's not always possible. Given that 36% of rental businesses fail in the first five years according to AdvisorSmith, it's crucial to do everything you can to maximize profits and come out triumphant.

One way to keep more of what you earn is to minimize expenses. Most landlords already understand the cost-saving importance of knowing how to set the right rental rate and reducing the risk of evictions with thorough renter background checks through a high-quality service like AAOA (American Apartment Owners Association).

However, fewer landlords are aware of the range of tax breaks available to property owners and managers—opportunities that could help you save big. With many renters and landlords recovering after a financially tumultuous few years, it's more important than ever to help protect your investment.

Below, you'll find 15 deductions that could help you during tax season. While some of these tax breaks apply to all homeowners, many are unique to rental property. Make sure to check with your tax professional or CPA to determine whether any specific tax deduction applies to you and make the most out of your return.

As you work on this year's tax returns, keep the following deductions in mind:

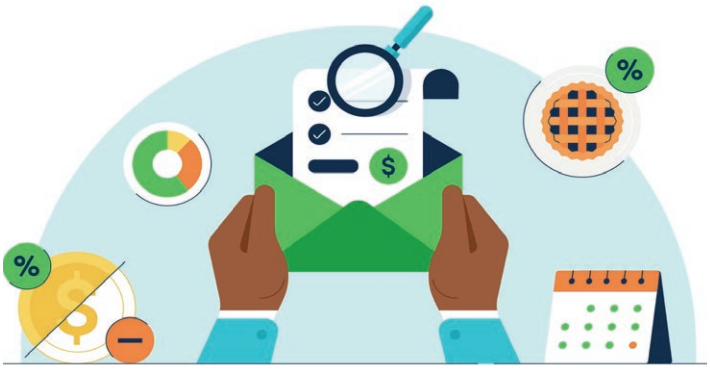


Photo courtesy of Quickbooks

1. Long Distance Travel

If you have to travel long distances to check on your property, Moolanomy reports you can deduct the cost of your travel expenses. Examples of deductible expenses include car mileage, airfare, or hotel costs.

2. Mortgage Interest

If you didn't purchase your rental property outright, you probably have a mortgage. If you do, you're paying interest to a bank. According to SmartAsset, landlords can deduct their mortgage interest as a rental expense.

This well-known rental property tax deduction applies to all homeowners. Still, it's especially important for landlords to use because it's usually the biggest deduction you can claim.

3. Personal Property Taxes

You may be required by your local government to pay personal property taxes on equipment and furniture used for business purposes, based on the value of the property. Most landlords are aware that they can depreciate their personal property, but did you know that you can depreciate personal items used in and for your rental business at a faster rate.

All Property Management explains that with the Modified Accelerated Cost Recovery System, you may save more money by fully depreciating personal property inside the rental unit over a shorter period. For example, appliances, carpeting, and furniture can be depreciated over a five-year period. Other items, like fences and driveways can be depreciated at a 15-year rate. You can check to see which asset class your property falls into on the IRS website.

4. Repairs

The IRS splits repairs into two types:

1. Improvements to the property (which increase the value) or
2. Returning things to their original condition (maintenance)

Bigger Pockets notes that while improvements must be capitalized and deductions taken as depreciation over time, repairs and maintenance costs can be expensed in a single year.

Nolo.com offers the helpful BAR acronym to help you decide if your repairs are simply maintaining the property or could be considered improvements:

- Betterment. Does the change fix a defect in the property that existed before you bought it Does it physically enlarge or enhance the property in any way
- Adaptation. Are you going to use the property in a new or different way than you originally intended when you purchased the property
- Does the change rebuild the property to a like-new condition Have you already taken a loss for the damage

If you can answer yes to the above questions or your repair falls into any of these categories, it would likely be considered an improvement by the IRS, which needs to be depreciated.

5. Local Travel

Many landlords like to routinely check in on their tenants and property. You might also need to handle maintenance, repairs, or improvements on-site. If you use your personal vehicle to make the trip, you can deduct the cost of travel using one of two different methods:

1. Actual expenses or
2. IRS standard mileage rate.

FindLaw.com says there's a caveat if you're using the IRS standard method. In order to qualify, a landlord must use this method during the first year that the vehicle was used in rental business activity. The actual expense method allows you to deduct the actual vehicle expenses, as well as depreciation.

According to the IRS, the local travel deduction can include gas, oil, lease payments, licenses and fees, repairs, tolls, and parking. Calculate your deduction both ways to see which method benefits you most.

6. Legal Fees for an Eviction

Often a landlord's worst nightmare, eviction proceedings are extremely stressful and can bankrupt small rental businesses. If the worst happens and you're forced to evict or take legal action against a tenant, Sapling says you can deduct court fees and attorney costs.

In addition to monetary cost, there is also the intense worry of an ongoing legal battle and the pressure of not knowing what could come next. While it's good to save money through claiming landlord tax deductions, it's better to prevent evictions in the first place by thoroughly and consistently screening your tenants before they're allowed to move in.

Bolster your tenant screening process with detailed, near-instant background checks that include criminal checks, renter credit reports, and eviction history with AAOA. Getting an in-depth look at a rental applicant's background and track record can help you make more informed, timely screening decisions.

7. Home Office

If you use a dedicated space in your home to conduct rental business, it is a deductible expense–even if it's not a whole room. HomeGuides points out that a deductible space must be an area used exclusively for rental activity, and used as a primary meeting place for clients and customers.

The Balance also reminds you that any equipment must also be used exclusively for business. For instance, your work computer shouldn't be used to play games or for other personal reasons.

There are several ways you can calculate the business portion of your house as an expense in order to find the largest deduction. According to the Balance, you can:

- Calculate your space's square footage divided by the square footage of your entire house. If all the rooms in your house are roughly the same size, divide the number of rooms your business space encompassed by the total number of rooms in the house
- Use a prescribed rate multiplied by the allowable square footage used in the home. For 2023, the prescribed rate is $5 per square foot with a maximum of 300 square feet, according to the IRS.

Note that you can deduct a portion of your home repairs if they partially affect your office and the full price of the repair if it only affects your office. However, you cannot use these deductions if you have an outside office as well, or if you're renting the space to your employer.

15 Tax Deductions for Landlords During Tax Season Cont.

8. Wages for Employees and Independent Contractors

If you hire a property manager or grounds maintenance worker, you can deduct their wages as a rental business expense. This also holds true for independent contractors like carpenters or electricians.

According to Nolo, one of the benefits of hiring independent contractors is that you don't have to withhold federal taxes out of their paycheck or pay one-half of the worker's Social Security and Medicare taxes. However, you do need to file IRS Form 1099-MISC if you pay them over $600 during the year.

And don't forget employee meals and entertainment expenses. Turbo Tax reminds landlords that events like holiday parties or summer outings for your staff are 100% deductible. If you incur an expense while doing business with a potential client or business associate, you can deduct 50% of the total.

9. Casualty Losses

If anything happens to your property due to an unexpected event like a natural disaster or fire, you can claim a total or partial property loss on your tax return. However, as Nolo points out, you can only claim losses to the extent that they aren't covered by insurance.

If you do have insurance, you must reduce the amount of your claimed casualty loss by any insurance recovery you receive (or expect to receive, if you haven't been paid yet). Losses that are fully covered by insurance are not deductible.

10. Depreciation

Depreciation is a deduction you can take for property and items that you own for over one year. The cost of qualifying items are deducted in small amounts over a set number of years. For example, rental buildings are depreciated over 27.5 years. This means that you can deduct about 1/27 of your rental property annually.

SF Gate points out that depreciation is actually required by the IRS. Depreciation claims don't just save you money, but they might also keep you out of legal hot water. Also, if you sell the property for more than the depreciated value, the IRS may charge you a 25% recapture tax, whether or not you actually claimed depreciation. It makes more sense to claim the depreciation than to eventually pay taxes on a benefit you never received.

11. Insurance

According to Steadily, the premiums you pay for almost any insurance on your rental are deductible. This includes fire, theft, and flood insurance for your rental property, plus landlord liability insurance. If you have employees, you can also deduct the cost of their health and workers' compensation insurance.

12. Capital Expenses

Nolo offers some helpful information for understanding how landlords can deduct long-term assets, here are the basics. In terms of tax rules, there are two different types of expenses that are incurred as a rental property business: current and capital.

1. Capital expenses are defined as purchases that are expected to last more than one year and generate revenue in the future. This might include equipment, land, or vehicles, but keep in mind these are not the only capital expenses. Such purchases are treated as investments by the IRS and must be deducted (or capitalized) over a number of years.
2. Current expenses are the day-to-day operational expenses that keep your business running, such as rent and utilities. You can deduct 100% of current expenses from your gross rental income in the year they are incurred.

13. Professional Services

In addition to the legal services mentioned above, other professional assistance can be deducted, as well. Consulting a tax professional is not only advisable, but also a deductible expense. According to Hanson CPA, attorneys and accountants can be deducted from your taxes, as long as the reason you are hiring them is related to your rental business.

Since IRS regulations are regularly updated or changed, hiring an accountant to file your taxes can keep you from overlooking any deductions available to you. If you do decide to handle your taxes yourself, the same deduction is applicable if you use tax preparation software.

14. Operating Expenses

Many items that you purchase for your rental property throughout the year can be classified as operating expenses and deducted in the year during which you purchase them. The IRS website defines these expenses as "the ordinary and necessary expenses for managing, conserving and maintaining your rental property". Appropriate expenses that are generally accepted as necessary for a rental business might include:

- Advertising
- Maintenance
- Utilities
- Insurance

15. Maintenance

You might be tempted to put maintenance in the repairs category, but the ongoing upkeep of your property doesn't necessitate something being broken. For example, landscaping and pool cleaning is done on a regular basis, even when there are no major issues.

15 Tax Deductions for Landlords During Tax Season Cont.

You can also deduct any tools needed for cleaning or upkeep, such as lawnmowers, weed eaters, or paint sprayers. In some cases, it may be necessary to depreciate these tools, so check with a tax professional if you have any doubts. The same holds true for cleaning supplies and janitorial items. According to HOA Sites, you can even deduct Homeowner Association fees as a rental expense.

This article was originally posted by the American Apartment Owners Association on AAOA.com.

AAOA
AMERICAN APARTMENT OWNERS ASSOCIATION



How To Perform Onsite Due Diligence on A Park – Part II of III

By Steve Edel



This article and our promise: you will take away a new resource or idea regardless of being a new or veteran park investor.

*** Tune in next month for Part III (AI & DD+) ***

Part II: ONSITE DUE DILIGENCE – EXPERT LEVEL

Let's skip the standard Due Diligence (DD) basics, which includes (1) matching occupancy, (2) asking about problems, and (3) walking around for an hour.

Onsite For A Few Hours	-VS-	Onsite For Day(s) & Night(s)
Visually see issues but no time to quantify everything!	X	Enough time to quantify exact counts with pictures & video. ✓
Makes retrade tough to impossible! Listing problems in text is not effective. **$0.00K**	X	Having a report add up with proof supports retrade. We find **$227K** of differed maint on average. ✓
Not enough time for tenants to come out & for staff to spill the beans. **Skeletons stay in closet.**	X	When you're on the property for day(s) & night(s), people talk - **EVERYTHING** is exposed! ✓
Impossible to check all utilities & connections. Basic check.	X	It takes half-full day for 1 person to camera lines & document leaks. ✓
Impossible to document each item on vacant lots & POH.	X	Enough time to quantify every lot connection, & POH/lot conditions. ✓
At night, who knows?	X	Quantify lighting problems, trouble tenants & things that lurk @ night. ✓
What every rookie does.	X	**MAGIC...** knowing what to look for and documenting/quantifying ALL! ✓

Now that you have the basics down, here are our Top 3 secrets:

1. IT TAKES ALL DAY & NIGHT

I remember back when I was a rookie buyer. I went to Frank & Dave's bootcamp (which was awesome) after my wife went. All pumped up from bootcamp, I did DD on many parks, and made plenty of rookie mistakes. One was spending an hour or two onsite – BIG MISTAKE!

The difference between spending a few hours vs a few days & nights is hundreds of thousands of dollars difference! This can best be shown on a chart, so here it is…

What are the rookies, mid-size operators, and big guys doing these days, you ask? Well, rookies don't know what they don't know. Mid-size operators do their best to trust their staff to do DD or they outsource it. And the big guys (Top 5) mostly do it in-house and can mostly absorb the cost of missing expensive DD blunders due to the size of their portfolio (it's all about the refi).

Plan accordingly: Schedule all vendors a few weeks out and schedule backup vendors because some will pull a no-show. Wear fatigues – be ready to hack through brush/vacant land & crawl spaces. Depending on the area, take bug spray, sunscreen, food/drink so that you can stay onsite all day, paper backup of all digital materials, extra batteries, boosters, change of clothes, and a drone. Rule of thumb – One day per 100 lots.

2. DRONES COUNT BETTER THAN HUMANS – EVERY TIME!

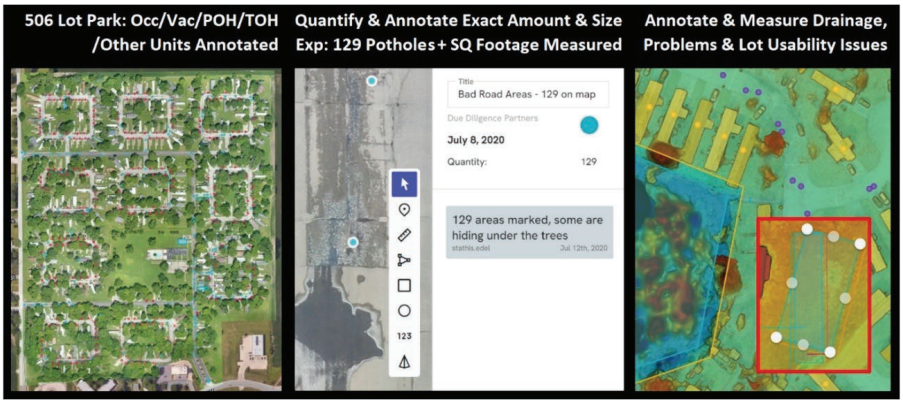
This is a very serious statement.

Because humans are not void of making errors, even when diligently counting twice. When we're talking about deferred maintenance, it is common to flag 100-200+ items, which adds up. If your count is off by a few here and there, it can affect your planning and retrade.

What to do - make an interactive map that allows annotations & measurements that you can share with your team. To make map, the drone takes 100s-1000s of pics that are fused together.

How – there are a few commercial apps on the market that allow you to make 2D/3D high-resolution interactive maps. While not free, it is worth it. We like to use the most upgraded levels of software and hardware that allow for thermal scanning, topography, and many more autonomous pre-planned flight features beyond just the map.

Details To Map – Quantify the exact square footage of bad road, number of potholes, cracks, asset problems like roof issues, vacant lots, unusable lots, and landscaping & drainage





problems. Why – because again, they really add up! (actual pics from our jobs)

3. Assume the Worst Until Proven Otherwise

This is a motto we live by, and it keeps us out of trouble. It's not being pessimistic - it's being practical and helps force scrutiny.

Motto #2: Remove the subjective and only accept black or white answers. Both rookie and experienced investors fall into the same traps time and time again – "the answer seems to be right", "manager's answer seems trustworthy", "handyman's reason for home problems seem legit" … **STOP**. Either learn from mistakes or hire someone that has the time to dig in. If you don't have days and weeks to dig up the good stuff, then it is cents on the dollar of what it will save you down the road by outsourcing it.

Here is an example list of the evidence you need for actual inventory and conditions.

Due Diligence Item ===>	Needed To Validate
Occupied Homes	Use rent roll as a reference only. Inventory clues for occupied such as: meter in use, abandoned home, missing trash, missing decking, broken windows. Just because there is income in the bank and on RR, doesn't mean occupancy did not recently decrease. This is your bottom line!
Condition of POH & Units	Use seller's values as a reference and build your own. Build values from the ground up by having a grading system (1-10). Acceptable is getting in 90% of structures. Deferred maintenance can add up!
Lot Usability	Assume not usable until verifying: measurements, recording each utility connection, pad requirements, flooding, easements & other obstructions. Too often we see proforma & projections blow up due to actual usability.
Staff	Find the hidden staff. Assume that there is hidden staff. Find out by asking the right questions - Who mows? Who picks up lawn bags? Who gives notices? Who walks park? You should have at least 50 questions to ask!
Hazards & Liabilities	Assume that Kurt Kelly doesn't want to touch this park. Walk every square foot of every lot, parameter, vacant land, and amenities to uncover everything: trip & fall, rusty items, puncture, not-to-code, chemicals, haz-mat, animals, dangerous objects, unapproved add-ons & structures, etc.

We hope you enjoyed reading our top three Offsite Due Diligence items to be aware of. **Stay tuned for Part III in the next issue – using AI for Due Diligence & DD+ (uncover hidden value).**



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Digital Signatures vs. Electronic Signatures: Understanding the Difference

By John Pak, Property Sharks

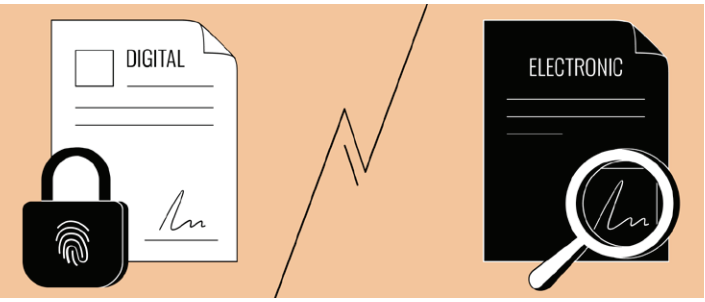


Photo courtesy of digt.com

In today's digital landscape, signatures play a crucial role in validating documents and transactions. However, the terms **digital signatures** and **electronic signatures** are often used interchangeably, leading to confusion. While both digital signatures and electronic signatures serve the purpose of signing documents online, they operate using distinct technologies and offer different levels of security and authenticity.

Definition and Technology

Electronic signatures encompass a broad range of methods for signing documents online. These can include typed names, checkboxes, and even scanned physical signatures. On the other hand, digital signatures use cryptographic technology to ensure the authenticity and integrity of a document.

Authentication and Identity

Electronic signatures prioritize capturing consent and intention to sign. They may not offer advanced identity verification. Meanwhile, digital signatures focus on verifying the identity of the signer through cryptographic methods, thus enhancing security.

Security Levels

Digital signatures offer a higher level of security due to their use of encryption techniques. They are tamper-evident, making any alterations to the document apparent. Electronic signatures, while legally binding, might be less secure in terms of preventing unauthorized modifications.

Compliance and Regulation

Digital signatures are subject to specific legal frameworks, such as eIDAS in the European Union and the U.S. ESIGN Act. Electronic signatures, however, adhere to broader legal principles surrounding contract validity.

Complexity

Digital signatures involve a more intricate process of generating key pairs, issuing certificates, and using encryption algorithms, while electronic signatures are generally simpler and easier to implement.

Use Cases

Digital signatures are often preferred for high-stakes documents that require a high level of security, like legal contracts and financial agreements. Meanwhile, electronic signatures are suitable for day-to-day transactions and approvals.

Verification Process

Digital signatures require the verification of the signer's identity through a Certificate Authority (CA) or a trusted third party. Often, electronic signatures will not require such elaborate verification.

Tamper Evidence

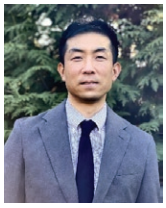
Due to the cryptographic hashes they use, digital signatures provide robust evidence of tampering. However, this feature can be limited in electronic signatures.

Long-Term Validity

Digital signatures are often equipped with mechanisms to ensure their validity over a longer period, whereas electronic signatures might be subject to changes in technology that could impact their future verifiability.

Conclusions

The distinction between digital signatures and electronic signatures lies in the underlying technology, security levels, and legal implications. Choosing between these two depends on the specific requirements of your document, the level of security needed, and the legal framework you operate under.



John Pak serves as the Real Estate Chair at the Law Offices of Pardalis & Nohavicka. He is a transactional attorney specializing in acquisitions, dispositions and leasing. A graduate of Brooklyn Law School, he received his BA in Political Science from New York University. Prior to joining PN Lawyers, John owned his own private law practice for 15 years and a title company for 6 years.

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Fair Housing, Fair Solutions: Managing Conflicting Accomodations Needs

By Kathelene Williams



Navigating the complexities of accommodation requests under the Fair Housing Act is essential for creating inclusive and equitable living spaces. When these requests conflict, as in the case of competing accommodation needs among residents, the challenge for those overseeing housing policies and compliance intensifies. This article offers insights and strategies for effectively managing such situations, ensuring that all decisions are made with a keen sense of fairness, legality, and sensitivity. By focusing on the intricacies of accommodation requests, we aim to provide a comprehensive guide to addressing these challenges, promoting an environment where every resident's needs are met with understanding and respect.

Understanding and Addressing Competing Accommodation Requests

Accommodation requests are essential adjustments or exceptions to a property's standard rules, policies, or services that enable residents with disabilities to fully enjoy their living environment. These requests can range from allowing assistance animals to making structural modifications. However, complexities arise when the accommodation needs of one resident clash with those of another, leading to what are known as competing accommodation requests. A classic example is one resident requiring an assistance animal for their disability, while another has severe allergies to animals. Handling these situations requires a nuanced approach that balances the needs of all parties involved, ensuring no individual's rights are overshadowed by another's.

Strategic Approach to Resolution

The process begins with an impartial evaluation of each request, emphasizing the importance of thorough documentation and verification from medical professionals. This foundational step ensures that decisions are informed and equitable, providing a clear record of compliance with fair housing laws. Open lines of communication are vital. By discussing needs directly with the involved parties, property managers can often identify straightforward solutions, such as the non-allergenic nature of a specific assistance animal. When direct resolutions are not feasible, creative problem-solving comes to the fore. Alternatives might include relocating a resident to a different unit or enhancing air filtration systems to accommodate both parties' needs without undue hardship.

Throughout this process, it is crucial to navigate these challenges without inadvertently discriminating against any party. The aim is to find a resolution that acknowledges and accommodates the needs of all residents, thereby avoiding the potential for disputes or claims of discrimination.

Key Takeaways for Property Managers

Handling competing accommodation requests demands a balanced approach that respects the rights and needs of all residents. Property managers must strive for solutions that not only address the specific issues at hand but also reinforce the broader principles of inclusivity and fairness in housing. At the heart of resolving these complex situations is a combination of empathy for the individuals involved and creativity in finding solutions that work for everyone. This approach not only resolves the immediate conflict but also builds a stronger, more inclusive community.

Ensuring that staff are well-trained in handling such requests and maintaining meticulous records of the process can prove invaluable. This not only aids in finding resolutions but also provides a robust defense should any legal challenges arise. In conclusion, the ability to effectively manage competing accommodation requests is a crucial skill for property managers, underscoring their role in upholding the values of fairness and inclusivity mandated by the Fair Housing Act. By adopting a methodical, compassionate approach to these challenges, property managers can ensure that their properties remain welcoming environments for all residents, regardless of their individual needs.



KATHELENE WILLIAMS
Attorney and President, The Fair Housing Institute

Kathi Williams is one of the founders of Fair Housing Institute. FHI is the accomplished vision of Kathi who views its educational courses as the best method housing providers can use to accomplish compliance and avoid litigation. Kathi also a partner in the Law Firm of Williams Edelstein Tucker, P.C. providing defense and preventative representation for the housing industry in all civil rights matters. During the many decades Kathi has been advising her housing provider clients, she developed a unique understanding of the most effective methods of communicating fair housing best practices through training.

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How To Write A Rent Increase Letter (With Sample Notice)

By Max Glassburg, Yardibreeze



At some point, all property managers have to raise rent in order to stay profitable, or even to just pay the bills. Ideally, a well-written rent increase notice can help you retain residents *and* give them positive feelings about the future. We'll walk you through a few simple steps that will help make your rent increase letters as professional and considerate as possible.

Review your state notice period

The most important part of raising rent is making sure the law is on your side. These notice periods vary by state.

If possible, try to give ample notice of a rent increase. As you know, renters are more concerned with their personal situation than what's required of you by law. If they feel like they're not being given enough notice – even if you're abiding by the minimum legal notice period – they may feel slighted. They might decide to move, or they could hurt your reputation with negative online reviews. On the other hand, going above and beyond for your renters is a great way to get positive property reviews.

Consider factors that justify rent increases

Before you send a rent increase notice, you need to know why you're increasing your tenants' cost of living. (They'll likely want to know as well.) Some residential property managers will raise rent by the maximum allowable amount with every annual lease renewal. Others prefer to do it as little as possible to prevent turnover and keep their tenants happy.

There's no one "right" way to raise rent, but you'll want to consider:

- Rising inflation
- Increased maintenance and utility bills
- Added amenities or renovations to the unit that increase market value
- Increases in state or local property taxes

Don't keep it a secret! Tell your tenants why you're raising rent, and if possible, the benefits they're going to see as a result.

What a rent increase notice should include

Because a rent increase letter can cause awkwardness or tension in the tenant-manager relationship, it's usually a good idea to keep each notice short and to the point. Generally speaking, follow the "less is more" rule. Find a template that works for you and repeat it.

Be sure your letter contains all of the following:

- The date of the notice
- Name and address of the property manager or landlord
- Name and address of the tenant
- Last day of the current lease
- Amount of the increase
- Date the increase goes into effect
- Timeframe for tenant to accept increase or reject lease renewal

Mention consequences for nonpayment

Even though the above list covers the minimum requirements, it's within your rights to state the effects of refusing to pay. Keep in mind that a consequence for nonpayment is not a threat: it's just a fact. If you're still worried about coming off too harsh, you're not alone. After all, this is a sensitive topic! Here are two ways to

LET THEM KNOW THE RENT INCREASE NOTICE IS NOT A PUNISHMENT

If a tenant thinks they're being unfairly treated, they may start looking for other places to live. That would put you in the position of potentially losing more money than you would have by not raising rent. So, when you have a good tenant, let them know!

Take a quick line in your rent increase letter to tell them you appreciate having them. (Don't get too flowery here, but be courteous and appreciative.)

How To Write A Rent Increase Letter (With Sample Notice) Cont.

USE NEUTRAL LANGUAGE

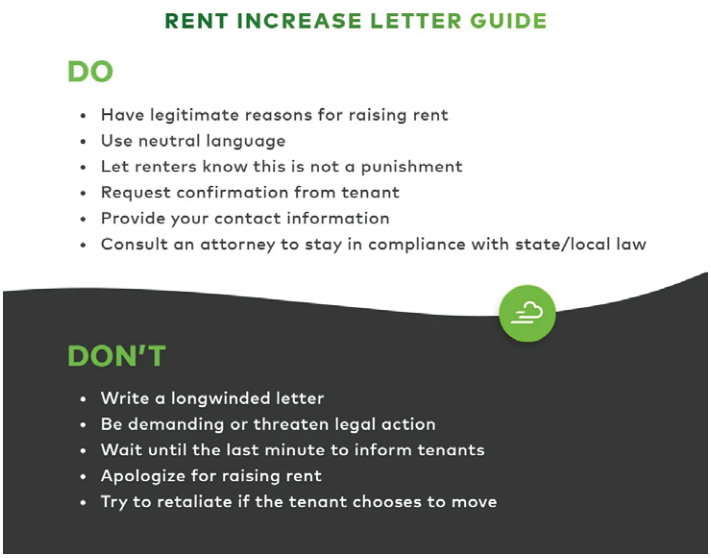
Avoid the temptation to be apologetic or emotional in any way. No one wants to pay more in rent, so your kind words may seem hollow (or worse, hypocritical) to the tenant receiving a rent increase notice. Stick to polite, neutral language.

Request confirmation from the tenant

Ask tenants to reply to your rent increase notice. Ideally, they would email their acceptance of the terms. With Yardi Breeze and Yardi Breeze Premier, all communications are kept securely in the cloud for your permanent records. If email is not possible for some reason, request a written response delivered by mail or in person.

Offer a way for the tenant to contact you

An upset tenant may want to follow up with you. Others may simply want to confirm the reasons for the increase. Tell them the best time and way to reach you. Whatever their motive for contacting you, this is a good time to make yourself available. If you were suddenly hard to reach, it might look like you're avoiding them or just don't care how they feel.



Sample rent increase notice:

Your business name
Address
City, state, zip

Date

Dear valued resident,

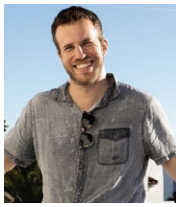
This letter serves as notice of our intent to increase the monthly rent at [address] from [$X] to [$X] beginning [date of increase].

After careful consideration, we've determined this increase is necessary due to our increased utility and maintenance costs. We are providing this notice well in advance to allow you ample time to plan for this change. You have been great tenants, and we hope you will choose to continue the lease agreement under these new terms.

Please confirm your acceptance of these terms by responding to this email. If you reject the terms of this increase, your current lease will expire on [date].

Sincerely,

Name
Title



Max Glassburg is a senior marketing writer at Yardi. He is usually found writing for Yardi Breeze and especially enjoys connecting with clients and sharing their successes with the real estate community. In his spare time, he is probably working-it on the guitar.

Disclaimer

Please note that this article does not constitute or replace legal advice. We hope this information is helpful, and we encourage you to do more research. Consult state law and your attorney before raising rent or sending a rent increase notice.

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MHCC Votes To Reject
The Destructive Proposed Doe Energy Enforcement Rule

Mark Weiss, MHARR



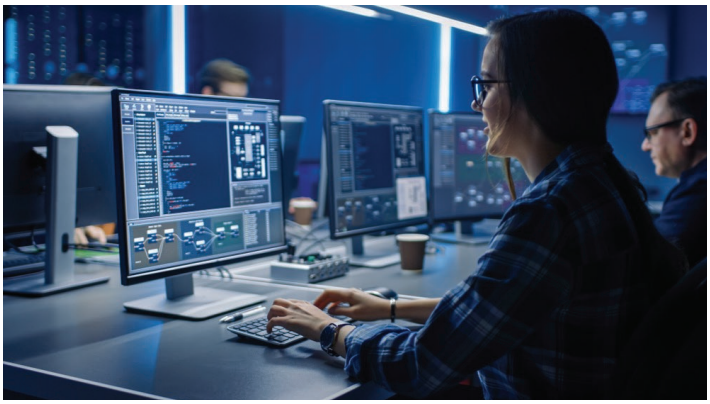
The statutory Manufactured Housing Consensus Committee (MHCC) following a two-day teleconference meeting, voted on February 16, 2024 – as urged by MHARR -- to reject the proposed manufactured housing energy standards enforcement rule published by the U.S. Department of Energy (DOE) in the Federal Register on December 26, 2023.

MHARR, in public remarks to the Committee, called upon members to reject the proposed rule, on the ground that the proposed regulations (as well as the DOE manufactured housing energy standards themselves) were not appropriate for manufactured homes, would do little or nothing to benefit consumers, and would result in destructive price increases that would exclude large numbers of lower and moderate-income American families from the manufactured housing market and the American Dream of home ownership.

MHARR also provided Committee members with copies of its January 24, 2024 written comments to DOE on the proposed enforcement regulations, which strenuously objected to the proposed regulations on multiple bases. These comments emphasized that DOE, in a conscious and intentional effort to bypass and subvert legitimate and accurate cost-benefit analysis of the proposed manufactured housing standards – as specifically required by the Energy Independence and Security Act of 2007 and other federal law, – (while rushing to meet court deadlines that it had agreed to) failed to propose or promulgate testing, enforcement and regulatory compliance criteria, and simultaneously failed to consider the cost and cost burden of those criteria in its supposed cost-benefit assessment. Then when it published its December 26, 2023 proposed enforcement regulations, it incredulously maintained – with absolutely no supporting evidence or analysis -- that those regulations would have little or no cost impact.

Significantly, the MHCC agreed that DOE's claims with respect to the regulations and their likely costs were not supported and that the absence of specific compliance benchmarks in the DOE proposed regulations would create confusion and unnecessary cost burdens.

The MHCC's rejection of the proposed DOE enforcement regulations, by a nearly-unanimous vote (with one abstention), follows its earlier vote to reject (on similar grounds) DOE's "final" manufactured housing energy standards rule published on May 31, 2022. At that time, the MHCC recommended HUD adoption of less onerous energy criteria based on the unique construction and characteristics of manufactured housing and the specific needs of manufactured housing consumers. According to HUD, these recommended standards (which, again, differ substantially from the DOE "final" standards) are under review by the Office of Management and Budget (OMB) as part of the standard HUD regulatory process.



MHARR will continue to carefully monitor all aspects of the DOE/HUD energy rulemaking process and will take further action as warranted by developments.



Mark Weiss is the President and CEO of the Manufactured Housing Association for Regulatory Reform (MHARR) in Washington, D.C. He has served in that position since January 2015 and, prior to that, served as MHARR's Senior Vice President and General Counsel.

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Amenities Tenants Love and Increase Your NOI

By Joanne M. Stevens and Dan Dempsey



1. Secure Deliveries with Electronic Package Lockers

In the era of online shopping and grocery delivery, the demand for electronic package lockers is at an all-time high. Tenants crave secure storage solutions, ensuring their packages are shielded from the elements and potential theft. Property managers, in turn, benefit from satisfied tenants and fewer calls about misplaced deliveries.



2. Dynamic Community Spaces for Enhanced Living

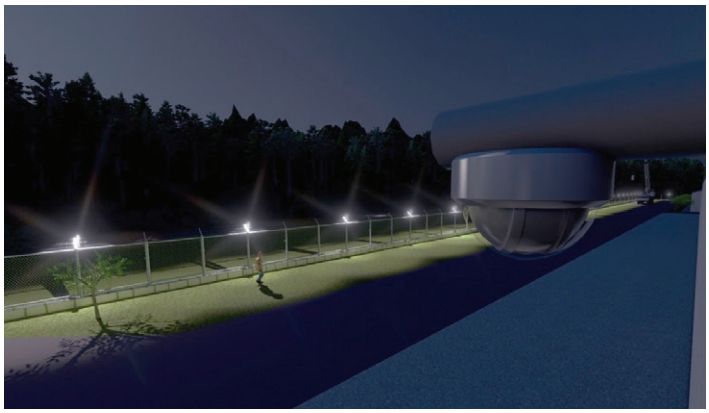
The landscape of apartment living has evolved with the rise of remote work and an increased focus on home comforts. To stay competitive, top apartment complexes are introducing enticing community spaces. From kitchens and rec rooms to sports areas, indoor gyms, libraries, game rooms, and even pickleball courts, these amenities cater to tenants seeking a vibrant and fulfilling lifestyle without leaving the comfort of their residence.

3. Rentable Guest Rooms

Introducing the concept of a rentable guest room can be a game-changer for property managers. While this idea is particularly effective in larger complexes, it's not impossible to implement on a smaller scale, especially in sought-after



locations. Tenants appreciate the opportunity to host friends and family without sacrificing space or comfort. Combine this with a rentable kitchen/dining space, and your property becomes a sought-after venue, generating additional income.



4. Illuminating Security with LED Lighting

Upgrading outdated lighting to LED fixtures is a cost-effective strategy that significantly impacts the overall aesthetics and security of a property. Illuminating parking areas and entrances with LED lights not only enhances the visual appeal but also contributes to tenant safety during nighttime hours.

5. Sustainable Living: Green Initiatives for Modern Apartments

Embracing green initiatives aligns with the preferences of today's environmentally conscious consumers, particularly Gen Z and Millennials. Implementing measures such as rain barrels, native plant landscaping, communal gardens, and electric charging stations not only promotes sustainability but



also resonates positively with tenants. While considering solar panels for energy efficiency, it's essential to strategize their placement to avoid potential damage to the roof, maximizing both environmental and financial benefits.

In conclusion, by incorporating these innovative amenities, property managers can create a thriving and attractive living environment, meeting the evolving needs and desires of today's tenants.



A national expert in mobile home parks listings and sales, Joanne's specialty is Midwest mobile home parks. She is a former President of the Iowa Manufactured Housing Association and served on the Board of Directors of the Manufactured Housing Institute and is a past national Chairwoman of the Manufactured Housing Educational Institute. She started brokering the sales of Manufactured Home Communities and Mobile Home Parks in 2004, ranging in size from 30 home-sites to 400 plus. She developed a 485 home-site Manufactured Home Community in Marion, Iowa, zoned & permitted a 190 site Mobile Home development in Des Moines, Iowa and founded and operated Squaw Creek Village Home Sales, Inc. (1991- 2001), selling new and pre-owned mobile homes. She continues to list and sell parks as well as runs Stevens Homes & Communities, and writes a MHC/MHP newsletter. Joanne holds a BA from Loyola and has taken Executive MBA courses at the University of Chicago. As a broker/consultant for MHP owners, Joanne has helped MHP owners evolve their thinking about lot rent, individual water meters, water conservation and improving the cash flow and value of their parks.



Dan Dempsey joined NAI Iowa Realty Commercial in early 2022 after years of building his own personal portfolio . His area of focus is on investment properties with expertise in multifamily properties. Being a real estate investor himself, Dan enjoys working with investor clients to help determine and meet their real estate needs both now and as their portfolio grows. Dan was born and raised in the Des Moines area and graduated from Iowa State University. He served in the Marine Corps for the better part of a decade and is a decorated combat veteran. His favorite assignment was being a Tank Platoon Commander. After the Marine Corps, he served the local community as a Law Enforcement Officer and member of the Metro STAR Unit. Although Dan is an Iowa State University Alum, he still finds time to cheer for the Hawkeyes during football season.

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7 Mistakes for Property Managers to Avoid

By Corina Stef, Multi-Housing News



A property manager should ensure clear communication to sidestep costly mistakes. Image by Andrea Piacquadio via pexels.com

How steering clear of these pitfalls helps preserve property values and enhance efficiencies.

Effective property management in the multifamily industry is a nuanced endeavor that hinges on a combination of expertise, attention to detail and adept communication. Property managers are the linchpin in preserving and enhancing real estate investments. Nevertheless, seasoned professionals may still encounter costly missteps that have ramifications for property owners and residents alike.

The landscape of property management is complex, demanding vigilance in overseeing myriad details, fostering effective communication, and deftly managing a diverse range of responsibilities. While it offers ample rewards, the profession is not without its share of challenges. Property managers shoulder the dual responsibility of safeguarding and optimizing property values while providing residents with top-tier service.

To excel in this role, they must sidestep the potential pitfalls that could disrupt the harmony of their multifamily endeavors. In the following paragraphs, we'll delve into the key missteps property managers should be keen to avoid in the multifamily industry.

1. Neglecting maintenance and repairs

Failing to address upkeep and repairs promptly constitutes a pivotal challenge that property managers must actively avoid. This common and potentially costly error involves overlooking even minor issues, which can inevitably snowball into more substantial and financially burdensome problems in the future. Beyond preserving the property's physical integrity, regular maintenance also plays a pivotal role in upholding tenant satisfaction and bolstering retention rates.

By implementing a proactive maintenance regimen and conducting routine inspections, property managers can nimbly nip burgeoning issues in the bud, consequently averting the headaches and expenses that stem from their escalation. Furthermore, a responsive approach to maintenance not only safeguards property values but also elevates overall tenant satisfaction, further solidifying the foundation of a successful multi-housing venture.

2. Disregarding resident communication

Poor tenant relations present a significant challenge that property managers should be vigilant in avoiding. Effective tenant communication forms the bedrock of successful property management. Overlooking tenant concerns, whether they pertain to maintenance issues or other grievances, can culminate in tenant dissatisfaction and the unfortunate consequence of high turnover rates. To tackle this, property managers should implement efficient systems for the swift and adept resolution of tenant concerns.

Developing positive relationships with residents remains an absolute imperative, where responsiveness, attentiveness, and timely grievance redressal are the cornerstones. Such an approach not only curbs high turnover rates but also staves off negative online reviews, strengthening the property's reputation and overall stability. Emphasizing open and transparent communication, property managers should readily engage with residents to address their concerns, field questions, and provide crucial property updates.

The deployment of regular newsletters or emails can further facilitate tenant engagement, keeping them well-informed about pertinent information and events, fostering a more harmonious and enduring tenant-landlord relationship in the process.

3. Overlooking resident screening

Neglecting tenant screening is a critical error property managers should avoid. Thorough background checks and credit evaluations are essential to identify reliable residents and mitigate potential risks such as property damage or rent payment issues. Rushing or skipping this crucial process can lead to disruptive residents who may harm both the property and community.

To mitigate these risks, property managers should diligently conduct comprehensive tenant screenings, including background checks, credit evaluations, rental history verification, and employment checks. This prudent approach ensures the selection of responsible and dependable residents.

4. Ignoring legal and regulatory compliance

Failing to adhere to legal and regulatory requirements is a costly misstep property managers should steer clear of. Real



For a continuous stream of residents and reliable income, property managers must excel in marketing and tenant acquisition. Image by Alexander Suhorucov via pexels.com

estate laws and regulations can vary widely, necessitating a comprehensive understanding of local, state, and federal statutes related to property management, tenant-landlord dynamics, and property maintenance.

Non-compliance can result in legal entanglements and financial penalties. This encompasses a grasp of fair housing laws, rental property inspections, lease agreements and tenant rights. To ensure adherence, property managers should seek guidance from legal professionals or property management associations, safeguarding their operations from potential legal repercussions and financial liabilities.

5. Not keeping up with technology

In today's digital age, property managers who do not embrace technology are at a disadvantage. Modern property management thrives on technological advancements and software solutions that streamline processes, enhance tenant communication and furnish critical data for informed decision-making. Failing to embrace these technological innovations can impede efficiency and competitiveness in a fast-paced industry.

Utilizing property management software is pivotal in minimizing inefficiencies, seizing automation opportunities, and lightening the workload. It simplifies tasks such as rent collection, maintenance tracking, and tenant communication, ensuring property managers stay ahead in an increasingly tech-driven field.

6. Inadequate marketing and digital missteps

Property managers must prioritize effective marketing strategies, including digital approaches, to attract and retain residents successfully. Neglecting modern marketing methods can lead to missed opportunities and increased costs. One common misstep is ignoring social media marketing, where an online presence is crucial for engaging potential residents. Failing to update websites, neglecting search engine optimization (SEO) and hesitating to adopt innovative marketing tools can hinder visibility and deter tech-savvy renters.

Additionally, insufficient property representation on websites, such as limited photos or incomplete details, can lead to unanswered questions and decreased interest. Overlooking online reputation management can harm the property's image and deter prospective residents.

7. Not prioritizing resident retention

To ensure the consistent occupancy of rental properties and sustained income generation, property managers must excel in marketing and tenant acquisition. Sole reliance on word-of-mouth or outdated marketing tactics can result in vacant units and revenue shortfalls. Embracing digital marketing, leveraging social media platforms, and maintaining professional property listings are integral strategies to attract a continuous flow of qualified applicants. These proactive measures are instrumental in averting the consequences of high vacancy rates and mitigating the financial burden associated with tenant turnover.

Steering clear of these prevalent pitfalls enables property managers to not only safeguard the value of their assets and ensure legal compliance but also foster tenant satisfaction. By concentrating on fundamental aspects such as tenant screening, proactive maintenance, transparent communication, sound financial management, legal adherence, tenant relations, marketing strategies and embracing technology, property managers can adeptly navigate the ever-evolving multi-housing market.

It's worth noting that in this dynamic field, adaptability, and a continual commitment to honing one's skills and knowledge remain paramount for long-term success in property management.



Corina Stef is a senior associate editor with Commercial Property Executive and Multi-Housing News. With over a decade of journalism experience, she became part of the CPE-MHN team in 2017. Her expertise includes trend pieces and feature stories on various real estate topics, as well as data-driven content for both brands.

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Is Investing in Manufactured Housing Suddenly Sexy?

By Mitch Roschelle

A deepening housing crisis and innovative approaches may be turning heads (and opening wallets) to a sector many investors traditionally avoid.



There is no doubt that the cost of renting or buying a home in the United States is becoming a crisis. The topic and its accompanying challenges are covered almost nightly on the evening news (many times by yours truly) in some form or another – from skyrocketing rental costs to rampant homelessness. Yet rarely discussed is the reason behind the crisis: A lack of housing supply caused at least in part by a lack of investment in new affordable and workforce housing.

That said, in recent years we have begun to see an uptick in investor interest in the sector, driven by both the urgency of the problem and a resurgence of innovation that is transforming the construction and management of affordable/workforce housing. Often stigmatized as a risky, low-yield investment, manufactured housing developments are beginning to chip away at investor skepticism as companies promote new methods of construction and supply chain management that decrease costs, increase efficiency and dramatically reduce development timelines.

Supply is the problem, investment is the solution

According to some estimates, an additional 5.8 million homes are needed across the country to square the supply-demand imbalance. Prices are sky-high for the simple reason that there just are not enough homes available to rent or buy. The crisis impacts virtually every city and county in the United States, including urban, suburban and rural areas.

The scope of the crisis demands a wholesale rethinking of how we approach construction and development of homes for rent and for sale. We must abandon the idea that the traditional boom/bust cycle in housing construction will somehow lead to a supply that meets demand. Instead, we need public policies that incentivize building affordable/workforce housing, companies willing to develop workarounds to current industry pitfalls and investment in new technologies and processes throughout the construction cycle. Although there is growing consensus among developers, manufacturers and real estate professionals to attack the problem, convincing investors to join the battle takes some effort.

Why Manufactured Housing?

When most people (including investors) think of manufactured housing, thoughts of a double-wide trailer typically come to mind. Although it has been a long time since the first "wide load" mobile home created traffic headaches for motorists, investors have been slow to shake off antiquated opinions about the sector. Most investors did not think that the manufactured housing sector was robust enough or deep enough or liquid enough to warrant the risk. In general, investors have never considered manufactured housing a strong enough sub asset class to prioritize.

At one time, the industrial asset class was in a similar position. Investors were wary of "unsexy" warehouses, citing unreliable tenants and poorly constructed buildings as their reasons. However today those same investors are singing a different tune. Buoyed by shifting supply chain management concerns, the industrial asset class is experiencing a renaissance. Today the sector is one of the most desired sub asset classes among institutional investors.

Architects, construction companies and manufacturers are working to create a similar shift in attitudes toward manufactured housing. Utilizing new approaches to the old ideas like prefabricated materials and manufactured housing communities, entrepreneurs are ratcheting up the excitement level for investment in new construction. Innovations that are changing perceptions include the elimination of siloed resources during development and construction, controlling the building supply chain to manage costs and meet schedules and hiring vertically integrated, cross-functional teams to reduce overhead.

The bottom line: The construction industry must modernize and demonstrate it can generate results in order to recruit investors to help solve the housing shortage.

The times they are a changin'

In June 2021, LA-based Angeles Madison Residential (AMR) purchased an unassuming home badly in need of repair on St. Elmo Drive in Los Angeles. A plan to revitalize the land was designed by the company's integrated team of specialists, including experts in land acquisition, development, manufacturing and construction. AMR's wholly owned subsidiary, EcoBuild.LA, manufactured prefabricated panelized wall systems and pre-engineered "kit-of-parts" assemblies for the building.

Is Investing in Manufactured Housing Suddenly Sexy? Cont.



The disruptive technology and approach bypassed outdated building methods, reducing costs and streamlining construction. The entire project from acquisition to leasing the new units took only 11 months and a mere $1.5 million in total vertical construction costs. A similar project developed using a conventional development approach would have taken at least 18 months at an average 60% higher costs. The St. Elmo development demonstrates an approach that can and should be utilized not just in Los Angeles but nationwide – and it reveals to investors the potential of the market.

Similarly, current economic circumstances coupled with innovations in building materials and construction management are creating the best market in decades for manufactured housing communities (MHCs). Private MHCs are projected to be the top-performing real estate asset class over the next five years, according to Green Street Advisors, and surprisingly there have only been 10 new MHC developments in the last 20 years. Today, MHC is an increasingly hot topic among and states experiencing the fastest economic growth are among the markets most valued for MHC investment.

The current housing crisis was created over decades by a failure of the housing industry, which built homes based on economic conditions rather than attempting to map construction schedules with expected demand. We will not solve the problem with more of the same. We now have an opportunity and a responsibility to innovate our way out of this problem. It is time to get to work and build a better future. Time is of the essence – and investors can lead the way.



Mitch Roschelle
A widely recognized commentator on real estate, housing, public policy, business trends, capital markets and the economy, Mitch Roschelle is a frequent contributor to FOX Business News and managing director at Madison Ventures+.

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Changing Home Buyer Demographics

By Chris Nicely, President
ManufacturedHomes.com



Photo courtesy of Credello

In recent years, the demographics of home buyers have undergone a significant transformation, reshaping the landscape of the real estate market. Traditionally dominated by older generations, the profile of home buyers is now evolving to reflect the diverse preferences and priorities of a younger, more dynamic population.

Millennials, born between 1981 and 1996, have emerged as a driving force in the traditional real estate market and growing as the influence in manufactured housing demand. As this generation reaches key life milestones such as household formation, marriage and parenthood, their housing needs are evolving, and they are quickly becoming a dominant force in the home-buying arena. The desire for generational living, sustainable features, and technologically advanced homes has reshaped the types of homes in demand.

Moreover, the increasing cultural and ethnic diversity of home buyers is also influencing the market. With a growing number of immigrant buyers and a rising awareness of the importance of cultural inclusivity, the housing market in general is adapting to a broader range of preferences and absolute needs.

The rise of remote work has further accelerated these changes, as individuals are no longer bound by geographical constraints, leading to increased interest in suburban and rural properties. Additionally, the aging population has contributed to a rise in demand for age-friendly and accessible housing options; many of which are cash buyers.

In conclusion, the changing demographics of home buyers signal a dynamic shift in the housing landscape. Builders, developers, retailers, communities and policymakers must remain attuned to these evolving trends to meet the diverse and dynamic housing needs, while keeping an eye on comparative affordability for today's buyers.



Chris brings nearly 30 years of expertise in factory-built housing and management. With a proven track record, he has collaborated with industry leaders, non-profits, developers, and municipalities to leverage factory-built housing for positive community development in cities such as San Bernardino, CA; Phoenix, AZ; LaGrange, TX; Danville, VA; Jackson, MS; and Detroit, MI.

Chris previously served as CEO of the non-profit Next Step and as Clayton Homes' VP of Marketing and as VP & General Manager for the Clayton Communities Group, overseeing 80 communities, 22,000 home sites, and sales exceeding 100 homes monthly. Chris recently contributed to a published study by the Joint Center for Housing Studies at Harvard, comparing the cost of site-built housing to manufactured housing.

Holder of a BA in Economics from the College of Wooster and an MBA in marketing from Case Western Reserve University, Chris is a graduate of Harvard's Achieving Excellence in Community Development.

Inspecting Other Structures

By Steve Edel,
Due Diligence Partners



Never just mobile homes, right!?

After performing due diligence on hundreds of communities, our team has seen just about every structure out there. We will never see them all but here is a comprehensive list of other structures we have run into and how we audited them.

Keeping this article short and sweet, we will list everything we can think of below, with bullet points, and how we approached it. If you have any in mind that you want us to add, let us know! We may have dealt with it already but forgot to add it to the list.

Also keep these two overarching questions in mind:

#1. Are you giving it value?

If you have given a structure value, then make sure you determine the age and its life cycle left before major cap ex is needed or all together having to scrap the structure. Will it cost you more to repair/replace it than potential income/value?

#2. What liabilities can come from a structure?

Even if you are not giving any value to a structure that comes with the park, some structures will carry more liability that others. Ask yourself, can this cause decapitation, collapse on someone, spill on someone, something that would attract kids to play on it, trip and fall hazards (most popular mobile home park insurance claim), cause breathing problems, contamination issues, catch on fire easily, flood easily, explode? Are you prepared to re-trade (ask for an adjustment to the price) to have the seller clean-up/remove liabilities? Or what will it cost you to scrap/ remove it later?

List of other structures

Utilities

1. Private water utilities: Water wells, water tanks, water pumps, and city water that must be tested... been there, done that. Not covering this on this list as we could write a book about just water utilities.

2. Private sewer utilities: WWTP (wastewater treatment plant), lagoon, septic, leach field, and trash can toilets... been there, done that. Not covering this on this list as we could write a book about just sewer utilities.

Somewhat Common Structures

3. Apartment: We've seen concrete apartments, four plex mobile homes called apartments, and apartment floors over other structures like a garage or office.

What to do: you can get a residential home inspector or possibly a commercial building inspector if you want the building to be looked at as close as possible (foundation, HVAC, insulation, mold, etc.). Or, if inspecting it yourself, you will want to check everything from the basement/crawl spaces to the attic. For due diligence services, we look for any signs of mold, settling, flooring, ceiling, leaks, and appliance/fixture/water/window/door issues. We also make note of any model/year information listed on HVAC/water systems.

4. Condos
5. Office Building
6. Clubhouse Building
7. Bathroom / Outhouse Building

} same as above.

8. Pool and Spa: We have seen so many different types of pools and hot tubs.

What to do: for due diligence services, we always audit everything, especially since we approach everything with a skeptical eye and assume it is broken unless proven otherwise. To add an inspection layer, hire an inspector that specializes in pools and spas that can systematically test equipment and perform various system tests as well as make recommendations on parts that need to be replaced. To rely on your own inspection, we suggest taking pictures of everything and making a video narration of all equipment and how it works (what we do).



9. Boat Docs

What to do: buy a boat?. Just kidding. The main thing we look for is rot and trip and fall hazards since boat slips can also attract children to play on them. Docs are often neglected, with wood falling off or nails and screws missing. If a doc hasn't been maintained, you will need an engineer to look at it or plan to replace it.

10. Vending Machine(s)
What to do: document the condition, type, age, and who maintains it. If a vendor maintains it, get a copy of the service agreement. Find out what the terms and expiration date are for the agreement. Consider the costs. Does the cost of electricity, maintenance, and throwing away old products justify keeping a vending machine?

11. Laundry Room Building
What to do: document the condition, type, age, and who maintains it. If a vendor maintains it, get a copy of the service agreement. Find out what the terms and expiration date are for the agreement. On average, vendors that maintain washers and dryers for you will take a 50%-75% cut of the profits. This is well worth it if they maintain everything. Often, the vendor can also do direct deposit. Newer equipment can give residents the option to pay through an app. Consider the costs and liability. Laundry rooms can come with liability since they are a place where people can get trapped or injured. Many operators do not realize that laundry rooms can break even or lose a lot of money. The cost for water, electricity, cleaning, and security can add up. Some operators want to keep a laundry room that loses money while not realizing there is a better public laundry facility nearby.

12. Storm Shelter
What to do: notice if it works! Seriously, an underground storm shelter needs to work. Evidence of it not working may include mold or signs of prior flooding and cracked walls. Costs to fix or replace a shelter can be significant. Document the size, type, and make note of how well the opening and closing works. Make note of how many residents it would accommodate.

13. Park Model
What to do: check the local city code to see if the park can legally accommodate park models. To do this, look up the land usability chart for the zoning type. You don't want to have to pull these homes out if they were placed without permission. For due diligence, usability is one of our many questions to the city. You want to have in writing what types of structures are permitted in case it is changed on you later by the city.

14. Tiny Home
What to do: same as above

15. Storage Units (building)
What to do: we treat storage units the same as any other structures fixed to the ground. It is critical that you check the sizes, occupancy, and condition of all storage units top-down and sideways. This includes foundation, walls, utilities, and



roof. If units are locked and cannot be open, it is important to access a good sampling of units, even if that means that the operator must coordinate access before your inspection. It is critical that you audit the rent roll for storage units to see if what appears to be occupied matches the rent roll.

16. Storage Units (shipping containers)
What to do: check the local city code to see if shipping containers are allowed. To do this, look up the land usability chart for the zoning type. You don't want to have to pull these out if they were placed without permission. For due diligence, usability is one of our many questions to the city. You want to have in writing what types of structures are permitted in case it is changed on you later by the city.

17. Dry Storage
What to do: treat dry storage the same as any other occupied or vacant lot. Just because it is dry storage and may be less rent or a perk, neglecting any lots can spring up surprise liabilities and cost. Dry storage lots may have chemical spills, trip, and fall hazards, broken utility connections if any are present, drainage issues, and a host of other deferred maintenance issues.



18. Playground
What to do: look for liabilities! Playgrounds are a hotbed of liabilities and potential claims from residents. Document the condition of everything on the playground with pictures and video. You will likely check video later for conditions since it can be difficult to picture everything from every angle. We document quality, liabilities, anything broken or worn, maintenance arrangements, and if a playground or playscape should be included for the community. A playground may not make sense for all communities. The variety of playground equipment is endless – playscapes, kiddie pools, picnic tables, tree swings, tree tire swings, long jump sand pits, horseshoes, shuffleboard courts, mud pits, monkey bars, spring animals, ropes, balance beams, balancing poles and boards, workout equipment, and whatever else you can imagine.

19. Sport Court
What to do: see list above. Document ALL the court surface and all areas around the court that could be potential trip

and fall hazards. Document all fencing. Fencing around sports court can often be broken, missing, and have wooden or metal parts poking out. Document all equipment and make note of age, any rust, and any problems. One time, we observed the tennis court from different aerial photographs but when we documented it in person, the court had become so overgrown that there was hardly a tennis court left, the concrete foundation had broken up over time as vegetation grew up and through everything.

20. Parking Lot
What to do: make note of materials and condition. Many communities have additional parking areas or a designated parking lot. Make note of materials, and any painting or striping. To avoid liability, spaces and curbs may need to be marked for fire and safety. Make note of any signs or missing signs that need to be added for parking lot safety and charges.

Not-So-Common Structures

21. Guard Hut
What to do: fancy. Some communities, especially repost style parks may have a guard shack that is used for security, other reasons, or abandoned. We've probably seen more abandoned ones that ones in use. They may appear okay from the outside but be a disaster inside with rot and debris. Document all materials, size, and condition. Make note if there is anything connected to the hut or shack such as utilities.

22. Semi-truck Trailers
What to do: treat the same as shipping containers above. We've seen semi-truck trailers left with and without the truck! Some operators will have used it as a truck at some point but then abandon it over time. This can be a big cost to remove if it has been neglected, rusted, and can no longer be pulled away. We open EVERYTHING! Make sure you open anything like this to be aware of what can lurk inside and if the doors even open, they may be rusted shut. Or is someone living in there?

23. Satellite Tower
What to do: request the lease contract. Make note of the details for rental amount, lease term, and maintenance and easement access and arrangement. Can it be removed or was the provider given an indefinite lease/easement?

24. Wind or Solar Farm
What to do: request vendor contract and all utility bills for the operation of a wind or solar farm. Pay attention to the contract details for financial details, lease term, and maintenance arrangement.

25. Dog Park
What to do: document condition and liability for everything at the dog park. Ask about any historical problems. Consider if dog park should be an amenity offered. A dog park is not appropriate for all communities. Consider who is maintaining the park and what liabilities could arise from having lose pets, people, and children together that may not be acquainted with each other.

26. Billboard
What to do: score! Many cities now have moratoriums on adding more billboards. If you have one already in place, then great! Make note of the foundation, quality of foundation and sign, and if there are any advertising agreements in place. Make note of contract details for billboard lease. Billboards can add significant value and income to a property.

Illegal or Redneck Structures

27. Barn
What to do: buy a tractor – JK. Barns have a lot to inspect! Especially if it is a big barn. A barn alone can take over an hour to inspect so consider how long you will be onsite. Inspecting every part of the barn, including all parts of the interior can take a lot of time. Consider how long it will take to inspect the interior if there is hay, debris, vehicles, and other equipment in the way, blocking easy view of the whole structure. Consider everything that can go wrong with a barn and who maintains it. Is the barn weather proofed?

28. Cactus Farm
What to do: document if there are any utilities involved such as irrigation or electric. Are chemicals used or anything else that could be hazardous to residents? Consider if any type of garden or farming is appropriate for the community in terms of benefit and liability.



29. Chicken Coops
What to do: make scrambled eggs… and the jokes keep coming. Chickens and other farm animals can be a big quandary for rookie operators. Traditional rules do not allow for any poultry or other farm animals. On the other hand, we have seen that chickens can blend into some rural settings. If they happen to blend in aesthetically and culturally, consider and document the following – are they in a location that would cause any disturbance to tenants, what liability could arise, and is there a tenant disruption if you require removal. Document overall condition of tenant's

home and lot. Some operators may grant or grandfather owning a chicken if the tenant is in good standing. Local code will also govern if poultry is allowed.

30.Chop Shop
What to do: shut it down! Any type of vehicle maintenance, parts maintenance, or build shop is often an eye sore, and can be a liability nightmare. Document the cost of having to remove such as structure and potentially items and debris that can weigh tons in addition to being hazardous. Notice if HazMat needs to get involved to remedy and remove hazardous chemicals or debris. Even if removal is eminent, document all material types, items, and condition. Many operators are happy to leave you with the cost of somehow removing heavy hazardous structures and debris.



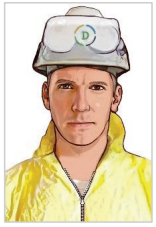
31. Dog Breeding Kennels
What to do: serve eviction notices on day one if possible. Audit existing leases and tenant agreements to determine if an exception was made. If an exception was made, determine how you will require removal since insurance company will likely not ensure your community with certain breeds. Document kennels and animals. Ask for complaint history and document lose pets. Note, even if existing operator made exceptions, it should be possible to evict for lose or aggressive animals. Request open records from the policy station and animal control for calls made. Often, these records can be used to easily remove or evict tenant for improperly managed animals.

32. Illegal Operations Shop
What to do: shut it down or take your chances forming an alliance with the Cartel. We strongly encourage you to shut it down immediately if you acquire the property. We've seen all kinds of shady and illegal operations. You must demand access to EVERY STRUCTURE. If you do not, you risk finding out about something crazy after closing. If an operator uses any kind of excuse to not inspect a structure, then reschedule the inspection until you can. If an operator is taking a blind eye to a tenant doing something shady, they may use the tenant as a scapegoat for not inspecting structure, due to tenant's privacy rights. Obviously, this is BS. The park owns and reserves the rights to inspect any structure the park owns. If it is a tenant owned structure, then demand the operator to coordinate with tenant to provide access on the day of onsite due diligence.

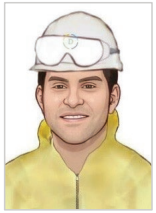
33. Tree House
What to do: remove them. Yes, this can be sad to do, especially if you have fond childhood memories of one. Unfortunately, this is a liability and a non-approved structure for insurance coverage. Document location, condition, and cost to remove if it additionally requires tree removal to properly remove.

Don't see something on the list that you have come across? Amuse us and send it – we will highlight your findings. Please note, even though we may not have mentioned pictures and video for each item, pictures and video are almost always required for every single structure. If it is a large property, this can add up to thousands of pictures and dozens of videos, exactly why it takes us days and nights documenting everything onsite.

We've seen a lot but can NEVER see it all when it comes to performing due diligence on parks. We have excluded any extreme criminal items such as meth labs.



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8 Tactics That Will DRIVE More Business

By Chris Nicely, President
ManufacturedHomes.com



Photo courtesy of The Brooks Group

2024 is promising to be one of variable results with rates stabilizing and possibly even decreasing, while demand continues at record levels. Driving traffic is going to be KEY in your efforts to increase sales. If you do nothing, you can expect nothing. Stay aggressive, engage your buying public and get the conversation started. Retailers and communities selling homes use various tactics to boost sales during periods of uncertainty. Here are a few ideas from retailers on how to drive traffic and soften, stop or reverse the decline in an ever-changing market environment.

1. **Promotional Events:** Successful retailers organize special events or sales promotions, offering discounts, financing access, and other incentives to attract home buyers sitting on the fence. Consider "Open Houses", car shows, entertainment to draw traffic.

2. **Clearance Sales:** Clearing out older inventory with clearance sales or special pricing can entice buyers to wait for a better deal.

3. **Loyalty Programs:** Offer exclusive deals for friends and family of existing customers. Satisfied customers will encourage people they know to search for a home with you. Even think about incentives for referring customers that send someone they know to you.

4. **Marketing Campaigns:** Launch targeted marketing campaigns with various channels, such as social media, email, or traditional point of sale (POS) advertising, to create awareness and attract potential buyers. It is not just one channel, but POWER UP with campaigns in all channels.

5. **Bundle Deals:** Combining multiple option packages into a bundle can provide customers with perceived added value and may incentivize them to make a home purchase; getting more for their money. An example might be – Stainless Steel Appliance package for $1, Energy Star level energy Package INCLUDED, etc.

6. **Financing:** Offer direct interaction with lenders allowing home buyers to understand the requirements of a home purchase and which lenders will work with their situation of get them qualified. Your weekend events can feature a lender on site to answer questions and step you through the process.

7. **Trade-in Promotions:** Retailers can make it more widely known that they will take trade-ins; YES TRADE INS. And these trades ins can be re-furbished and sold as previously owned or sold to re-marketers that re-furb and sell.

8. **Tax Refunds:** NOW is a great season to promote using tax refunds as down payment on a new (or even one of the trade-ins) homes. This is seasonal, but always effective. Some retailers will even match a refund to close the sale. Work with a lender to accept tax refunds (greater than a number specified by lender) as a home down payment.

Remember, tactics vary, but maintaining ethical practices during these and other activities are crucial to maintain trust with the market, prospects, and customers. Help the homebuyer understand the responsibilities of homeownership and assist them in making an informed decision. You have the determining factor of how well your sales will reflect the efforts. Do nothing, get nothing. Focus tactical efforts on driving traffic and your sales will exceed today's expectations.



Chris brings nearly 30 years of expertise in factory-built housing and management. With a proven track record, he has collaborated with industry leaders, non-profits, developers, and municipalities to leverage factory-built housing for positive community development in cities such as San Bernardino, CA; Phoenix, AZ; LaGrange, TX; Danville, VA; Jackson, MS; and Detroit, MI.

Chris previously served as CEO of the non-profit Next Step and as Clayton Homes' VP of Marketing and as VP & General Manager for the Clayton Communities Group, overseeing 80 communities, 22,000 home sites, and sales exceeding 100 homes monthly. Chris recently contributed to a published study by the Joint Center for Housing Studies at Harvard, comparing the cost of site-built housing to manufactured housing.

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Quarterly Magazine

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