

# Manufactured Housing Review

- **SMART INVESTING FOR THE BUSINESS OWNER**

 D. Austin Lewis, JD, MBA, CFP®  
President | Lewis Wealth Management, LLC

- **A PRIMER ON SENSIBLE INVESTING  
IN MANUFACTURED HOME COMMUNITIES**

- **IN SEARCH OF VALUE**

- **AN INDEPENDENT RETAILER'S  
TAKE ON CHOOSING A FACTORY TO REPRESENT**

- **THE POWER OF MANUFACTURED HOUSING  
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THE DOG, THE REGULATOR, AND THE INSURANCE COMPANY**

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President, Mobile Insurance

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## LETTER FROM THE EDITOR.....

Welcome to the first issue of the Manufactured Housing Review. We hope to make this the premier publication of the manufactured housing industry. It will be published and delivered to you, via email, on the 15th of each month. And it will be filled with content like no industry publication has ever offered before. Not only will there be some regular contributors, but all members of the industry are welcomed to send in their own submissions. Unlike publications of the past, it will be lively, current and full of good information that you can use in your business. But it will also be delivered with a bit of fun and should be engaging and interesting from cover to cover.

The concept for this magazine was born of desperation. “**The Journal**” ceased publication at the end of 2016. Many industry veterans were concerned that it would be a slap in the face of progress for the industry to lose its primary trade publication, particularly at a time in which the industry is finally turning the corner on becoming a mainstream real estate sector. So, I decided to put my money where my mouth is and launch this magazine. I hope you find this inaugural issue an exciting addition to our industry. We have tried to deliver a great product to you, and you have our pledge that we will try to make each issue worth the time to read it.

The manufactured housing industry delivers a terrific value for the American consumer. But it is often underappreciated by the media and those outside the sector. Hopefully this magazine will help educate those who don't really understand the business, and help spread the message that manufactured homes and manufactured home communities are part of the solution to the affordable housing crisis, as well as the preferred method of housing for millions of Americans. It's a large business with many different niches, and hopefully we'll be able to support all of them in this publication.

Thank for you for taking the time to read the Manufactured Housing Review, and we look forward to sharing with you on the 15th of each month going forward.

**SINCERELY,**

**Kurt D. Kelley, J.D.**  
**Publisher**

## WE SEEM TO HAVE TWO GROUPS, THE OWNERS THAT CARE ABOUT PEOPLE AND WANT TO MAKE A PROFIT AND THE OWNERS THAT DO NOT CARE ABOUT PEOPLE AND WANT TO MAKE A PROFIT.

**F**or myself, I'm of the group that believes we educate the public and introduce them to our product first hand. I've had brand new Palm Harbor homes and taken our Mayor, City Clerk and a Newspaper Writer for a tour all at the same time. Pointing out the crown molding, ceramic tile floors, R-30 plus insulation, 2' x 6' exterior walls, heat pumps, etc. They were amazed. When was the last time an elected official toured your community or you took a media representative into your new homes? We had the County Commissioner, the county Fire Marshal and Sheriff in our new Tornado Shelter as well as local news media and our tornado shelter got picked up on the AP news wire the other day after the storm hit a park in Southern Alabama a few weeks ago. I have other park owner friends who give scholarships to the kids in the park for academic achievement. I'd like to be in the group that cares for the residents and also needs to make a profit.

Then we have slumlords. They rent to anyone with warm blood. There are no criminal background checks for pedophiles or felons. There's windows that have been replaced with cardboard, doors that do not lock, no fire extinguishers, holes in floors, exposed electrical panels, no heat in the winters, steps that are rotten, and or roofs that are rusted and leaking. Charging by the week, they become millionaires off of those who can least afford to pay the weekly payments.

I agree with Frank Rolfe that each of us can and should contribute something positive to the news media every chance we can. We do need to change the perception of our industry rather than waiting or expecting the lobbyists of our industry to do it for us.

With that said, it's the slumlords in our industry that continue to give us a bad name. I have a neighbor park that has thrown out old furniture, mattresses, and garbage on the ground for the past 20 years. The stink coming from the mattresses alone will make you sick. Bedbugs, fleas and lice are covering the kids in these parks. What are we going to do as to address these problems within our groups? Will we ignore them and let them continue to financially rape these folks because that they can't do any better?

If perception is reality, is our destiny dictated to us by the slumlords who call themselves Manufactured Home Community Owners?

For myself, I'm going to continue to talk to my elected leaders and ask them to work with us and explore ways to see if this is really what our county wants to be known as - a county where those who want to fly under the radar reside. I want to explore the possibility that if a law enforcement agency has to visit that community more than ten times a week, is that considered a public nuisance? Is the owner contacted and the community shut down if it continues?

We should generate our own PR and do better. It does not look like our industry leaders are going to birth a National Public Relations Campaign anytime soon. I'll pledge to you right now my \$100 a month from my business of 70 residents, for the next year to start a national media campaign about the quality affordable housing our industry provides to those who want and deserve an affordable lifestyle in a decent place to live.

**DAVID RODEN**

**Mountain View Estates  
Rossville, GA**

# SMART INVESTING FOR THE BUSINESS OWNER.....



**LEWIS**  
WEALTH MANAGEMENT

In my line of work, I have the privilege of meeting with successful business owners all the time. They are some of the most impressive people I know. They leverage good ideas, make good plans and execute them successfully. They are a rare breed.

That said, while successful business owners are experts at investing in their own businesses, I'm sorry to say that many of them are not great investors in the capital markets. One of the complaints I hear from business owners is that they can earn a better rate of return by reinvesting in their own businesses and they don't have to surrender control of their capital to the Wall Street "casino."

They may be right. If you are in the manufactured home business, you are probably not impressed if you earn an average of 7% to 8% a year in a well-diversified investment portfolio of stocks, bonds and other asset classes over a long period of time. You might tell me that you could easily double or triple that return in your own business.

I get it, but earning the highest rate of return should not be your only objective. Preservation of capital is just as important. Remember, return on your investment is important, but return of your investment is critical.

I become concerned when I see business owners commit all their investment capital to the business. I see this on the real estate side of many types of businesses. After one deal is closed, all the profits are swept into the next, larger deal.

I don't need to tell you that the manufactured home industry, just like every industry, has booms and busts. And your industry is



particularly vulnerable to the overall housing and lending markets. You have witnessed these cycles. During the Great Recession, you might have known someone who went out of business. Some were caught overleveraged and with no operating reserves. They put all their eggs in one basket, and that basket got smashed.

**In other words, they  
were not properly  
diversified.**

Diversification means not having so much of one thing that we make a killing, but also not being killed by any one thing. Diversification means more than having multiple real estate investments in different geographic locations or being involved in more than one aspect of the manufactured home business. It's much more than that. It means that in addition to the equity you have worked so hard to build in your business, you also have a well-diversified investment portfolio outside of your industry. It also means maintaining an emergency cash operating reserve.

Your investment portfolio must be properly constructed and diversified. On the equity side, it should contain hundreds of different stocks of public companies in the US and abroad. On the bond side, it should contain many different types of bonds (government, municipal, corporate, mortgage, etc.) with different maturities and currency denominations. In more sophisticated investment portfolios, additional diversification can be achieved by adding asset classes like real estate and commodities, because these asset classes have not been closely correlated with stocks and bonds over long periods of time.

Your emergency cash operating reserve should be sufficient to see you through a downturn or an unexpected setback with your business. The amount depends upon your size, your overhead (both personal and business) and your capital structure. Talk with your financial advisor and your accountant about the appropriate amount.

As your business generates profits, have a systematic, disciplined plan to pull some of those winnings off the table and invest

them in a well-diversified portfolio. Keep some cash around. If you are an aggressive risk-taker in your own business (and most of you are), you should make your investment portfolio that much more conservative. If you are an employee with job protection and a well-funded pension (likely not, if you are reading this article), make your investment portfolio that much more aggressive. This is counterintuitive for most people.

Following this advice can provide you with tremendous peace of mind while you are busy working hard to build your business in a volatile and ever-changing market. It might just save your bacon someday. Remember, you are the steward of your family's wealth. Build that wealth responsibly over time.

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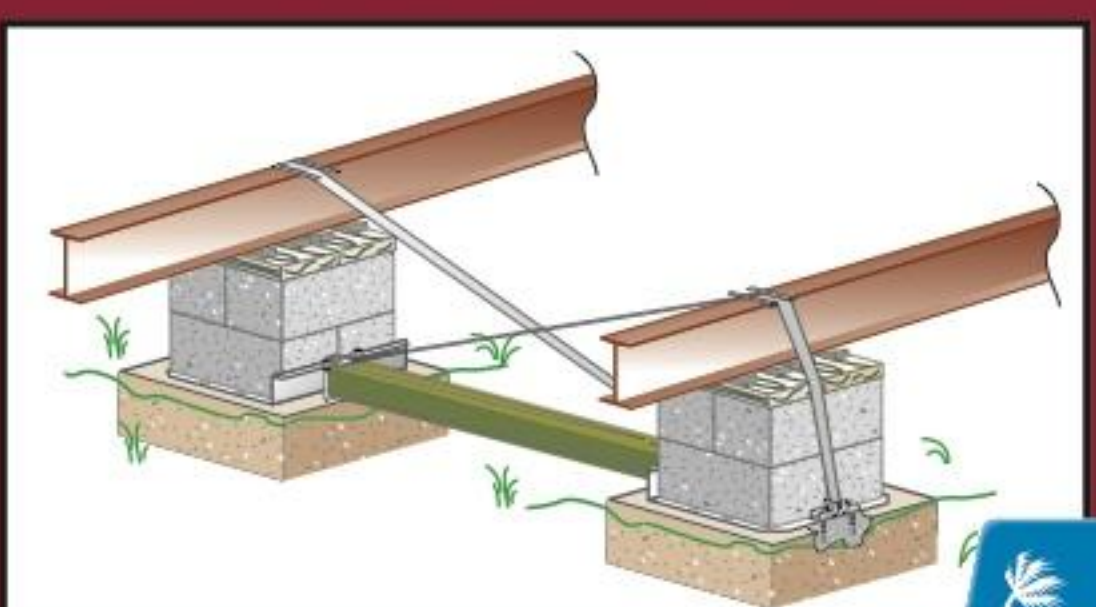
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# A PRIMER ON SENSIBLE INVESTING IN MANUFACTURED HOME COMMUNITIES



*A manufactured home community investment can change your life. It can provide you financial freedom. Or ruin it. The difference between these outcomes revolves around your knowledge of what you're doing, the quality of your due diligence, and the application of your knowledge after closing. The good news is that success is based on science, not luck. Here are the key basics that every community purchaser should know.*

## ***Understanding the relationship of cap rate, spread with finance rate and cash-on-cash return***

The “**cap rate**” is essentially a fraction: the net income from the property is the top of the fraction and the total cost of the deal is the bottom. You then divide the top by the bottom and that gives you the “cap rate”. Most buyers are looking for cap rates in the range of 8% to 10%. But that’s not a number pulled out of thin air. The more important point is maintaining roughly a “3 point spread” between the cap rate and the interest rate on your loan. That spread is what creates the target 20% cash-on-cash return (which is the cash earned on your down payment). For example, a community that is purchased for \$1 million at an 8% cap rate and 5% financing rate, will have a 3-point spread. And the cash-on-cash return, based on a \$200,000 down payment, is \$40,000 – which equates to a 20% cash-on-cash return. The bottom line is that you have to make sure that any deal you buy has at least a 3-point spread – and increase the cap rate to match interest rate increases.

## ***Understanding the impact of negative deal features***

There are a host of items that make a deal less valuable in the eyes of appraisers, bankers and buyers. Those items include private water and sewer, dirt roads, master-metered electric or gas, lack of permits or licenses, failed Phase I environmental, and a laundry list of other issues. While some of these cannot be worked around – like no permits or environmental contamination – others can still be purchased if there is a corresponding great item to offset them. In Los Angeles, there are communities that suffer from failing private utilities but that negative is more than offset by being near the beach with surrounding homes prices in the millions. And in St. Louis there are communities with small lots that are offset by being in a great school district. It’s important to remember that there is no “perfect” manufactured home community – the ones with the best locations date to the 1950s and 1960s and, as a result, have

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higher density and smaller lots, and possibly older infrastructure to contend with. It's O.K. to have a weak element, as long as it's matched with a strong one.

## Understanding the important of market construction

The 2008 Great Recession shed some light on what makes a market solid instead of risky. While unemployment rates soared to around 10%, many markets remained under 4%. What did they have in common? Basically, they had economies that were anchored by health, education and government employment. Industries that can't shrink regardless of economic conditions. We call these areas "recession resistant" and we think it's an important part of buying a successful community. We've also learned a lot about some markets along the way, such as the fact that Kansas City has more federal agency employees than any city outside of Washington, D.C. and that St. Louis has the largest percentage of healthcare and education jobs in the U.S. Beware of markets that are based on one single, large private sector employer. In those markets, you are

betting as much on that employer as the community you purchase. Too risky.

## Understanding the power of volume

The more deals you look at, the better your odds of finding the right one. It sounds simple, but many investors forget this fact. Think back to the Gold Rush. To succeed you needed 1) a way to screen out the gold nuggets from the dirt and 2) a bunch of dirt to pour through your screen. The most successful miners developed new ways to increase the flow of dirt, such as eroding entire sides of mountains with water jets. If you look at 100 deals, you will definitely succeed over the person who looks at 10. But even 100 is not enough. You should look at every deal on-line (that's around 1,000) plus broker pocket listings, direct mail, cold calling, and dropping by communities that are unresponsive. When you are looking at enough properties that you lose count, then you have arrived.

## Understanding the mystery of "bonding"

One underappreciated fact about buying manufactured home communities is “bonding”. What is “bonding”? It’s basically the relationship that can build between buyers and sellers when they spend time together on a shared passion: owning and operating communities. Bonding can have magical results for many buyers, such as lower prices and seller financing. It all begins when you spend time with the seller on the phone or in person. As a buyer and seller relate to each other as individuals, they often forge a bond that is more important than money. Remember that you are often buying from the “greatest generation” – the folks that built this country – and they value individuals more than possessions. If they like you, they

will sometimes help you. Both Frank and I have experienced this phenomenon many times in our careers. Make a point to spend time with sellers and it can often create some incredible opportunities.

## **Conclusion**

There’s no reason why you can’t succeed in buying a manufactured home community. But, like anything else in life, you need to learn everything about what you’re doing and then put that education to good use. There are some basic postulates that have been constructed from decades of experience, and the good news is that all you have to do is follow these time-proven methods to succeed. It’s a simple recipe.



## **About The Author**

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

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# IN SEARCH OF VALUE



The late Steve Jobs was always in search of an “insanely great” product. We are on the same quest. We are searching to create an “insanely great” value in every community we own. All 260 of them. So where do we begin in our journey to create an “insanely great” value?

## Let's first identify the parties involved

**F**or a community to be a great value, it has to be perceived as such by a number of different parties. First there are the residents, who have to choose to live there against all their other options. They must believe, each month, that the manufactured home community offers the best deal for their dollars, or they will go elsewhere. Then there are the investors in the community. They hold title to a real estate asset that is expected to make a superior rate of return. Then there is the city itself, which must believe that the property is an asset to the general community. Finally, there is the property management, which must be respected and looked to for keeping the community running efficiently, safely and correctly. You cannot have a superior value without all of these groups being pleased. For example, if the residents believe that the property is a great value due to low rents, but the owners have more profitable options for the land, then even

though the residents are happy, the unhappy owners will sell the land for a higher use. And if the residents and owners are happy but the city is not, then the community may be forced to closure by city government. And, of course, if the managers cannot be retained due to general disrespect and failure to follow the rules, then the property cannot operate. Value is a 360 degree proposition.

## What is value?

Webster's defines “value” as “to be important or beneficial; to have a high opinion of”. It transcends merely cost or quantity. It is a badge of superiority that brands a product or service as being uniquely desirable. Too much American marketing has related “value” to simply low cost – effectively cheapening the true concept. While generic cereal manufacturers may think that bad-tasting cornflakes are great just because they are half the cost of Kellogg's, the customer knows better and ultimately will stop buying the product. True “value” is much more elusive and complicated than that.



## The relationship of quality to value

One of the foundations of value is the quality of the product or service. Before you can even analyze if a car is a good value, it first has to start, stop and run. In the manufactured home community business, that means that the property must have roads that are free of potholes, dependable water and sewer, an attractive window, adherence to community rules, and professional management. But that's just a baseline. Every community owner should strive to exceed these basics and take their property to the next level. Putting capital into a superior entry, signage, landscaping, mowing – these are the steps that enhance the consumer experience and builds value. It's a pretty basic principle that the higher the quality, the higher the value.

## The relationship of price to value

One of the great perversions of the concept of “value” is that it is all about being “cheap”.

While all Americans must live within their budget, everyone wants and appreciates high quality. And they are willing to pay more for it. Imagine that you are driving down the highway late at night, and there are three hotels along the road. One is called the “**Tiki Motor Lodge**” and the rate is \$29 per night, and it looks like it hasn't been cleaned in 20 years and the bedbugs are the size of mice. The next one is a new, clean Holiday Inn Express, with a rate of \$99 per night. The final one is a four-star Hyatt Regency with a nightly rate of \$250 per night. Which one would you stay at? If you answer anything other than the Tiki, then you have just demonstrated that there is more to “value” than simply price alone.

## The relationship of return on investment to value

All manufactured home communities are a form of real estate. They are bought and sold based on a perceived rate of return that is superior to all other investment options for those dollars. Just as the residents' weigh all other options before spending their hard-

earned dollars, so do manufactured home community investors. While some would say “*there’s no business without the customers*” it’s equally true that “*there’s no business without the investors – just raw land*”. In addition, the operations of a manufactured home community frequently include injection of capital to maintain the property. Without attractive returns, the investor will not make additional investment (or even afford to do so) so the property will decline in quality, which reduces value rather than increasing it.

## How there is a win/win/win/win possible if all conditions are properly met

So what we’re effectively saying is that “*value*” is a complicated issue and is massively intertwined between residents, property owners, city governments and management companies. They can either all enjoy increased value or suffer reduction in value. But they have to work together as a team. You cannot have a win/lose in value. If residents fight higher rents, then owners will not invest in the properties and eventually re-develop them. If rents are too high or property condition declines, residents will leave and the owner will be unable to attract any new ones. If the city feels slighted, they may pull the owner’s operating permit (in which both owner and residents lost) or harass the owner and residents with an endless stream of citations. And lower revenues equals lower management fees and lower wages for the management company.

## What is the real enemy to value?

So the real enemy to value in manufactured home communities is general lack of understanding of the basic equation, as well as the fact that it is a group activity. If the community owner fails to maintain the property to a high level, then they will fail to retain residents and rents will go down. If the residents respond by letting their yards and homes go, then the city steps in. If the residents fail to respect the management, then the property condition declines and quality of life decreases. And meanwhile the city is on the sidelines determining their own punishment.

The only way to create real value is to make the communities as close to perfect as you can, charge as high a rent as the market allows, pay as high a return on investment to investors as possible, hire and retain a superior staff that keeps rules and collections perfect, and strive to be an outstanding member of the macro community. It’s the opposite of what most owners and residents think which is “let’s see how cheap we can live”.

## Conclusion

A manufactured home community is like a value ecosystem. Everybody wins or everybody loses. It is a team endeavor and you cannot find true value unless everybody is a stakeholder in the business and understands that no one group holds all the cards. Want a higher return on investment? Create a higher value for your customers. Want a property to last as a manufactured home community for a century? Make sure that the owner of the land gets a fair rent. It’s a complicated relationship but, when properly acted on, true value is a beautiful thing to behold.

## About The Author

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



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# A MODERN DAY CATCH 22: THE DOG, THE REGULATOR, AND THE INSURANCE COMPANY



**Kurt D. Kelley, J.D.**  
**President, Mobile Insurance**  
**Kurt@Mobileagency.com**

**D**ogs are appearing more in public these days. Even large dogs are now regularly seen in upscale hotels, restaurants, and the passenger compartment of airplanes. The Americans with Disabilities Act (ADA) and the Fair Housing Act (FHA) make it a violation punishable by fine and other civil penalties for businesses open to the public which fail to make financially reasonable accommodations for animal owners who claim a protected legal status. These same laws give Manufactured Home Community tenants the right to keep a dog or other pet even if community rules otherwise prohibit such. Presuming the tenant and animal meet the proper definitions, community management must allow the tenant and animal to stay.

Informed tenants now regularly exercise their right to have their “Emotional Support Animal” or “Service Dog” reside with them. The potential for fraudulent claims regarding Service Dogs are few. Service Dogs are expensive, highly trained and easily identifiable to business owners. They are always dogs, and generally retrievers or German Shepherds wearing vests which identify them. These life-assisting dogs are also often in close proximity to an owner who has a clearly visible disability. As a result, there’s less potential for abuse of this vaulted legal status by owners of “Service Dogs.”

Almost as equally protected, Emotional Support Animals are often difficult to identify. They often appear as typical family pets. Pit Bulls, Rottweilers, cats, snakes, ferrets, and tadpoles may qualify for Emotional Support Animal legal status. The claiming owner merely needs a confirmation letter from a “Health Care Professional” to be granted this status. Administrative rules nor Courts have yet to specifically define “Health Care Professional.” While surely MD’s, OD’s, Chiropractors, Nurse Practitioners, and RN’s are “Health Care Professionals”, it’s also arguable that your Acupuncturist, Masseuse, and Yoga Instructor are too.

To complicate matters, insurance companies demand that community owners restrict dogs over 35 lbs and all aggressive breeds, such as Pit Bulls, Rottweilers, Chows, Dobermans, Mastifs, and German Shepherds from the Community. If not, the insurance company will include an animal attack exclusion on their general liability insurance policy. And unlike community owners, insurance companies don’t face penalties for refusing to insure a community owner if they prohibit these animals. Therein lies the



## Catch 22.

As a manufactured home community owner with a tenant who has a Pit Bull and is claiming Emotional Support Animal status, you have two options. First, you can refuse to allow the Pit Bull into the park by claiming that doing so is not financially reasonable. No insurance company will insure you properly if you do, even at a significantly higher rate. This is a legally sound decision. However, because most manufactured home community owners don't have insurance coverage for discrimination claims by tenants, it may not be a practical decision as a Community Owner must pay their own legal defense costs plus any damages awarded by a court or other legal official, should the tenant file a complaint.

The second option is to allow the Pit Bull and advise your insurance company that you were legally compelled to do so presuming they become aware of the animal. Even if you've stated in an insurance application that your Community Rules exclude vicious dog breeds, you won't have committed misrepresentation as you do have such rules. Furthermore, if the animal does bite someone, most manufactured home community general liability policies include animal bite defense and indemnity coverage. Because of the underlying coverage issues, this is often the most practical choice for many community owners.

Regardless which option you choose, there are steps all community owners can take to limit their financial risk exposure to dog bites, even Emotional Support Animals. Management can demand the animal owner keep the animal in their control at all times. It can remove any animal that is a proven danger to others in your community. It can prohibit the animal from coming into your buildings if it isn't housebroken. Management can also require every tenant seeking an exception to complete and sign the "Service Animal from Tenant to Management Affirmation" form found in the "Loss Control" section of our website, [www.MobileAgency.com](http://www.MobileAgency.com).

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Operating Agreements!

Kurt Kelley, JD/President





**N**obody over the age of ten believes in the unicorn. But for some reason, the media has started a similar blunder in believing that the salvation to the affordable housing crisis is within the control of a non-profit structure in which the residents buy and operate the community they live in. These articles are misguided. ROC (Resident Owned Communities) is the largest of such groups, but has only closed on 101 properties since 2008 <http://www.rocusa.org/communities/community-album/default.aspx> which is a rate of about 12 per year. There are something like 500 manufactured home communities sold each year. So for these articles to make any sense, there would have to be the capability of closing on literally hundreds of communities per year under the “*resident owned*” approach -- about 20 to 50 times the current capability. There has to be some realism on the scale of this concept. Saying that “*residents purchasing their properties is the solution to re-development*” right now is as crazy as saying “*professional baseball is the perfect career choice if you want to make big money but don’t want to go into medicine or law*” --

it might work for a tiny segment of the population, but it’s certainly not a macro cure. The solution to manufactured home communities being re-developed has been -- and will always be -- significantly higher lot rents. Real estate is a business and all land has alternative uses. Only when a manufactured home community is the best use for the land will it continue in that use.

As an industry, we would certainly welcome a much larger-funded resident owned community option when it comes time to sell. I doubt that any community owner would not be fine with the concept of selling to the residents if the price was the same as a third party. And, of course there are some fringe benefits in selling to residents as opposed to third parties. For one thing, selling to residents effectively removes any due diligence concerns that might be encountered from a buyer who has never been to the property before. And, of course, there’s the simple fact that most of these groups pay more than for-profit buyers for the simple fact that non-profits are striving to have ... no profit. That’s not to say that these transactions are simple

or quick, which is the result of a huge amount of red-tape since these groups are mostly bureaucratic in nature.

But before you think that higher funding of these non-profits is the solution to all of the worlds' problems, consider one final item. Residents owning their own communities is not necessarily all its chalked up to be. Case in point is this article concerning Forest Lake Estates in Florida <http://www.digitaljournal.com/pr/3183508>. The article describes the recent sale of a resident owned community back to a for-profit private owner. The article states:

*"Forest Lake Estates' sale marks one of the largest of its kind in Florida history. It may also serve as a blueprint for shareholders in other manufactured home communities looking to retrieve their equity after weathering the challenges of resident ownership and without sacrificing the quality of their communities."*

*"There were many challenges and roadblocks in the history of Forest Lake Estates that are common among other resident-owned communities,"*

So what has been happening at these resident-owned communities that would result in them

throwing in the towel and acknowledging that private ownership is actually superior? My guess is that the residents quickly learn that collecting money, resolving disputes, maintaining utilities and answering endless resident questions is not that much fun. On top of that, many of these resident groups are in for a rude awakening when they think that by buying the land underneath their homes, the rents can never go up again. The fact is that the rents go up just as fast, as now they have to cover a mortgage, all operating and management costs, and deal with the fact that these costs rise constantly. So they've basically actually made their position worse – same prices but ten times more work and risk. Now that would be an interesting article for the media to cover (*although perhaps an embarrassing one*).

I'm hoping that America is ending an era in which we looked to big government, non-profits (*which actually are for-profits as far as the employees are concerned*) and unicorns to cure our problems. To promote the concept that residents owning their communities is the salvation of us all is a sad commentary on the lack of realism in today's media. Sure, it's a solution in some cases. But a tiny, tiny solution that may not actually even work over the long haul.

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# THE POWER OF MANUFACTURED HOUSING IN THE WORDS OF OUR RESIDENTS

*Like many community owners, we frequently receive notes and letters from residents. Some are complaints or suggestions for improvements. But others are thank-you notes reflecting on how our community has changed their lives. An analysis of these letters offers a glimpse into what makes the manufactured home community such a great opportunity for the consumer.*

## The superior option to Class B and C apartments

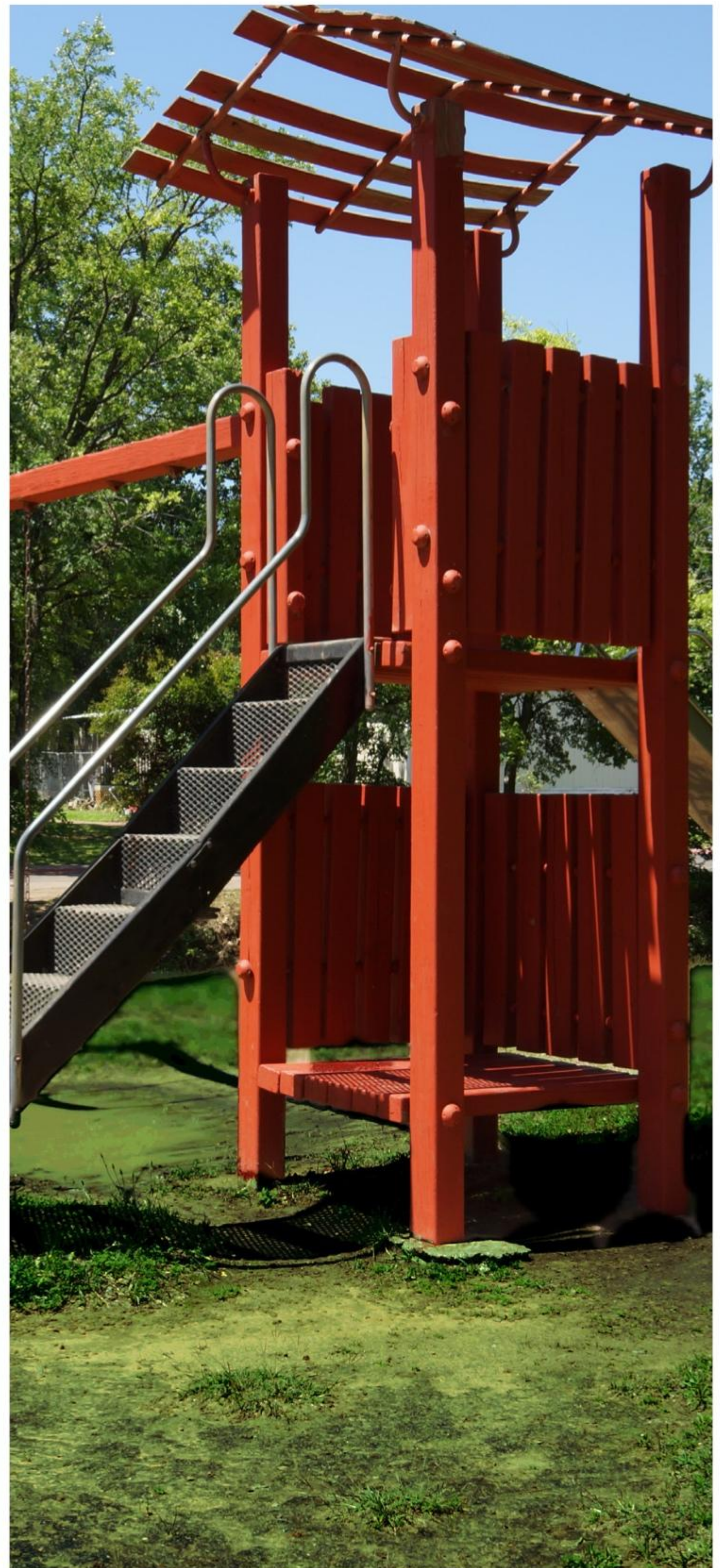
*“Prior to moving into our new home we were renting. The space we had was next to none and the neighborhood was questionable. Now we have three bedrooms, a great living space and amazingly huge yard for our whole family to enjoy. We absolutely love it! The neighborhood is wonderful and the neighbors are very respectful. All I can say is that our new home sure beats apartment living! Thank you so much!”*

This writer reflects a narrative that we hear all the time: how lousy apartment living is and how great our community is by comparison. A manufactured home community offers no neighbors knocking on your walls or ceiling, a yard, the ability to park by your front door and a non-transient neighborhood feel. These are qualities that we all seek in our housing, and apartments simply do not deliver on them.

## The desirability of being a homeowner

*“We are so excited to have home now and not have to be paying rent for an apartment. Knowing that our money is going toward something of our own that we will someday have paid off is such a good feeling.”*

*“Being able to move here has brought us*



*such a great feeling and determination for making our lives better and it's so nice to have a pride of ownership knowing that we are working towards something of our own."*

**"We are very happy here knowing that we aren't just throwing our money away.".....**

These residents all affirm the basic desire and economics of being a homeowner. The manufactured home industry is frequently criticized in the media for being a bad investment. This is untrue. The problem is that the media is strictly focused on re-sale value – which is only one part of the equation. We would argue that the sum of the monthly savings from living in a manufactured home community is of far greater economic importance than simply re-sale price. Let's examine this concept in detail. The sum of the lot rent and home payment in a typical manufactured home community is roughly \$300 per month lower than prevailing apartment rent. That's a saving of \$3,600 per year. And once the home is paid for, then it's \$600 per month or \$7,200 per year. If the resident lives in the community for 20 years, and pay the home off in 10, then the total savings is \$108,000. If they sell the home

twenty years later for \$3,000 less than they bought it for, then their economic advantage was \$105,000. That far outstrips any increase in value in buying a stick-built home over the same period, and clobbers apartments every time.

**The power of community.....**

*"Even though I enjoy my privacy, I know in case of an emergency, my neighbors would be there & help me."*

*"The people here are very nice. Everybody tries to help each other."*

*"Our neighbors are great people who don't cause trouble and are very considerate of those around them."*

*"The reason I like living in the mobile home park is because I feel safe here."*

*"I'm 65 years old and everyone here looks out for each other. The neighbors are friendly and if anyone needs help with anything they all pull together and help."*

These statements are a reflection of the stability of the manufactured home community resident base, as well as a change in attitude that comes from home ownership. Apartments are transient in nature, as





nobody owns their property or really cares much about it. Residents come and go constantly, and you never even know the names of your neighbors. It is a basic desire of all Americans to be part of a neighborhood that you can trust and connect with, and only manufactured home communities can deliver on this basic need.

## Conclusion.....

*"To whom it may concern,*

I am writing to let you know the difference my new home has made for me and my daughter. I am a full time dental hygiene student and I am working very hard to better my life for me and my daughter. For the first time we have something we can call our very own, because it has been made affordable for us. We are so happy to have our own yard and space where we can work together as a family to take care of our space and keep it nice. This gives us the opportunity to grow whereas renting we are throwing your money away. This way we in the end will have something

to show for all our hard work. I would never been able to afford to buy a home right now, but with this program I know at least that my money is going towards owning the home someday .My family now enjoys coming over and visiting and on the nice days we like to hang outside and do yard work. Also I would like to mention how nice of a change it is to one manager that seems to actually care about us and keeping the trailer park nice for all to live in unlike having to deal with a large apartment complex owner. This way it is much more personalized and comfortable. At first I thought this deal was too good to be true. I thought. "You can't get an apartment for this much how can this be?" but I am so grateful that I got this opportunity! Thank you for your time and giving me the chance to tell you a little about my story."

That letter pretty much sums it up. Manufactured home communities offer the American Dream of homeownership, coupled with privacy, a yard, and a neighborhood that truly cares about your well -being. You can't ask for much more.

## About The Author

*Frank Rolfe has been a manufactured home community owner for almost two decades, and currently ranks as part of the 5th largest community owner in the United States, with more than 21,000 lots in 25 states in the Great Plains and Midwest. His books and courses on community acquisitions and management are the top-selling ones in the industry. To learn more about Frank's views on the manufactured home community industry visit*

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# AN INDEPENDENT RETAILER'S TAKE ON CHOOSING A FACTORY TO REPRESENT



**SO YOU HAVE DECIDED TO OPEN A MANUFACTURED HOME RETAIL SALES LOT AS AN INDEPENDENT RETAILER. LET ME BE THE FIRST TO OFFER MY SYMP... OOPS,... SORRY,... MY CONGRATULATIONS TO YOU! IF YOU WILL INDULGE ME, I'D LIKE GIVE YOU MY TWO CENTS ON WHAT THIS DECISION REALLY ENTAILS. AFTER YOU HAVE OBTAINED ALL YOUR STATE LICENSES, CITY OR COUNTY PERMITS, BOUGHT AND INWSTALLED YOUR OFFICE, YOU WILL NEED TO DECIDE WHAT PRODUCTS TO OFFER YOUR CUSTOMERS. HERE ARE SEVEN THINGS TO CONSIDER:**

## 1) REPRESENT ONE FACTORY OR MULTIPLE FACTORIES

This will largely be determined by the volume you expect to handle. In the later 90's, during the last heyday, I worked for an independent who believed in offering as much diversity as possible from multiple factories. While there is some merit to this, often times you have spread yourself too thin to give proper representation to any one factory. Our current location is an exclusive factory representative which has served us well over the past few years. The staff is able to learn, in depth, about the products offered and provide the best information to potential customers. If you decide to represent multiple factories, I would suggest two that compliment each other and no more than three. Maybe one offers more of an entry level, no frills, solid product and the other offers more amenities found in today's modern homes. What those amenities are will vary drastically over different regions of the country, but in every case, safety and durability, which are present in modern HUD code homes, should be of upmost priority.

## 2) FLOORPLAN LENDING AVAILABILITY

I would venture to say you probably don't have the pockets deep enough to write a check for every piece of inventory on your lot, and even if you did, this would tie up an inordinate amount of capital. Most locations will have a lending source to provide the funds necessary to purchase the product for display. Generally speaking, a factory must back this with a repurchase agreement and this can vary in length depending on the agreement with the factory and the lender. Occasionally there may be a factory that can assist with the financing or possibly even extend their product on consignment but be aware of the interest, which can affect your inventory carrying costs and partner with a finance company which best fits your needs and market.

## 3) DELIVERY TIMES

Most factories I have dealt with over the years run about 4-6 weeks on lead time. For a factory to be efficient, there needs to be



a backlog of orders in order for production managers to schedule materials and supplies to build the home. From the time a sales rep takes a customer's order, four weeks is about the minimum amount of time needed from start to finish. Each week a sales manager assembles the orders and turns them in to the production manager. From this point, the purchasing department reviews the orders to make sure the correct components are ordered for your home and, because the homes are constructed in a factory controlled environment, the need for materials to arrive on a consistent basis is imperative. The chassis for the home is either constructed or delivered and is then placed in the assembly line. About a week later, a home will make it through the assembly line complete and ready for both inspection and delivery. Backlog exceeding eight weeks for an inventory or special order home can cause you headaches.

#### 4) SERVICE FOR THE HOMES

A huge factor in your decision should be service. Federal standards require all manufactured homes to come with a minimum one-year factory warranty on structure and systems of the home. Who is going to make these repairs? The two main options for this are factory bill back or factory direct service. With the bill back option, you will have to maintain a service technician or contract with a reliable contractor familiar with the construction of manufactured homes. This person needs to be a "Jack-of-all-Trades" in order to address everything from cosmetic trim to plumbing to electrical.

Once the repairs are completed, you invoice the factory for reimbursement at prearranged rates. While most factories are eager to ensure satisfied customers, there are times that disagreements arise over the cost of repairs or who caused the damage: the factory, the installer, the transporter, or you the retailer. Damage disputes don't make for happy customers. It's important to choose a factory known for service and not "Blame Throwing".

My preference has always been to work with factories that have their own in-house service technicians. In terms of economies

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of scale, this better allows the factory to track issues in their homes and to report back to Production for quality control/improvements. It also allows them to send a trained technician who is intimately familiar with the construction of the home. Not to mention the fact that it is hard to argue with someone that built it! Having a factory representative manage warranty and repair issues helps keep your overhead down and allows you to focus on sales and your customers.

## 5) CHANGING WITH THE TIMES

It is imperative that you take a look at the homes around you. Drive through some new residential subdivisions, review publications on the latest trends in design, and watch HGTV. While you may still like the darker '80's paneling and cabinetry look, chances are that's not the current trend. One of the best things I learned was to not stock the lot with only things I liked. It is tough to make yourself order a home whose colors you just don't like, but it's embarrassing watching it become your best seller! Likewise, if your staff loves a particular design or color

scheme, order that too. I always remember a salesman years ago that I overheard telling a customer, "Well, you probably won't like this one 'cause it has some strange colors" only to have the customer fall in love with the home and buy it the next day. While in that case it worked, I wouldn't recommend it as a sales tactic. Lesson learned!

## 6) INVOLVEMENT IN TRADE ORGANIZATIONS

I firmly believe that you and the factory you choose should support their state and national trade organizations. Let's face it, there are still many stereotypes from outside looking into our industry that perceive manufactured housing in a negative light. Trade organizations offer the opportunity to share common experiences with fellow retailers that can help overcome, or at least help mitigate those perceptions. Trade shows give you the chance to keep up with new innovations and changing styles and follow what other manufacturers are doing and at a national level, lets you see what is working in other parts of the country.

Whatever factory you choose to partner with, be an advocate of your product. As one of, if not the only, source of non-government subsidized affordable housing; our product remains a viable, safe, affordable solution to many families. While this industry, like many others, has its ups and downs, I am reminded of something a fellow retailer once said; "At the end of the day, there is nothing more satisfying than giving your customer the keys to their new home."

### KARL RADDE

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