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## Building Wealth Through Ownership: Resident-Owned Manufactured Housing Communities in New Hampshire

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## Building Wealth Through Ownership: Resident-Owned Manufactured Housing Communities in New Hampshire

### Abstract

Eighty-two resident-owned manufactured housing parks serve over 4,000 New Hampshire families. Despite their popularity, one important question remains: do they outperform investor-owned manufactured housing parks from a social and economic standpoint? A research team from UNH set out to answer this question through a comprehensive study that engaged subjects from resident-owned parks and investor-owned parks and officials from seven New Hampshire towns. The research findings suggest that resident-owned manufactured housing parks indeed provide a more affordable housing option for low-income families, as well as an enhanced sense of ownership and an opportunity to build equity. Implications for Extension are discussed.

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## Introduction

Between 1984 and 2006, the New Hampshire Community Loan Fund, referred to as "The Loan Fund," has helped residents from 82 manufactured (mobile) home parks to purchase the land on which their homes are situated. Each of these cooperatively owned parks, known as "Resident-owned Communities" (ROC's), formed a self-governing corporation to manage their park. Through this model of resident ownership, residents have gained financial and managerial control of their park and their lives.

While a number of studies examine the social and economic benefits of home ownership (Haurin, Deitz, & Weinburg 2003), few studies examine the social and economic benefits of *cooperative* home ownership. In fact, the concept of cooperative (resident) ownership of manufactured home communities is relatively new, with the first ROC having been established in New Hampshire in 1984. Yet ROC's have already had a significant impact on the state's affordable housing sector. Today, over 4,000 New Hampshire families reside in ROC's--more than in any other state.

Due to the dearth of literature examining ROC's as a model of home ownership, the Ford Foundation and The Loan Fund commissioned the Carsey Institute at the University of New Hampshire to conduct an independent evaluation of the social and economic outcomes of resident ownership of manufactured home communities in New Hampshire. (Note: According to the Manufactured Housing Institute, a manufactured home is constructed in a factory environment and built to federal safety standards known as HUD Code, whereas a mobile home is simply a

manufactured home built prior to 1976, before the HUD Code went into effect [2005].)

While there are many theories as to why ROC's have proliferated in New Hampshire, this evaluation examines four specific advantages that ROC's are believed to have compared to investor-owned communities (investor-owned communities, or IOC's, are manufactured housing parks where residents rent the land on which their home is situated). Based on preliminary data collected by The Loan Fund (Bradley, 2002), these advantages are:

- Better access to mortgage financing
- Greater stability in housing costs
- More opportunity to build equity
- Enhanced sense of ownership and control

Additionally, the team was charged with providing The Loan Fund with recommendations that would help them to strengthen the resident ownership model in New Hampshire. Provided that there is strong evidence supporting the advantages outlined above, the hope is that the resulting recommendations will also highlight opportunities for Extension Services to provide educational outreach to help build the capacity of existing and potential ROC's and thereby help promulgate the resident ownership model nationally.

## Background

Home ownership is the main source of equity for most Americans. However, due to rapidly escalating housing costs relative to personal income, an increasing number of Americans cannot afford to purchase a home (Apgar, 2005).

Of those who *were* able to purchase a home in the United States between 1980 and 2000, 29% opted to purchase a manufactured home (Genz, 2001). The vast majority of these manufactured homes are located in IOC's, where residents rent their plot from a landlord. Only a small fraction of manufactured homes are located in ROC's.

A number of factors explain why ROC's have not proliferated nationwide. Foremost, few lenders are willing to provide financing with interest rates comparable to conventional mortgage loans for the purchase of manufactured homes located in parks. Most lenders only provide access to personal property loans or variable-rate loans for the purchase of manufactured homes. Interest rates for these loans are typically several percentage points higher than conventional home loans (Bradley, 2003). And, without access to mortgage-competitive financing, prospective homeowners may not see advantages to buying a home in an ROC.

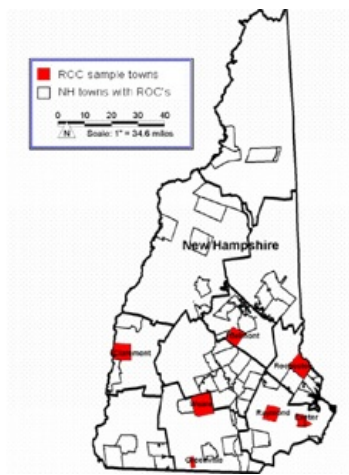
In New Hampshire, however, mortgage-rate financing is increasingly becoming available for the purchase of manufactured homes in ROC's.

Another factor limiting the expansion of ROC's is the lack of technical, financial, and managerial support to the ROC Boards responsible for managing and maintaining their respective parks. New Hampshire is one of the few states where support is readily available to ROC Boards. Without this support, it is unlikely that residents of New Hampshire's 82 ROC's would have been able to purchase their parks in the first place.

## Methods

To determine if resident-owned parks pose certain advantages over investor-owned parks, a study was designed to compare ROC's with IOC's on a range of social and economic variables. Overall, seven New Hampshire towns with at least one ROC and one IOC were selected for the study to encompass a wide geographic distribution and a broad range of demographic characteristics (Figure 1). Within each of these towns, one to two ROC's and an equivalent number of IOC's were selected for comparison. The parks within each town were selected to be comparable in terms of location, size, and demographics of the park residents. The final sample consisted of eight ROC's and 12 IOC's (Ward, French, & Giraud, 2005).

**Figure 1.**  
Towns in Study Sample



The primary sources of data for the study were a mailed questionnaire, secondary data from town tax cards and the Multiple Listing Service (MLS), and interviews with ROC Board Members and Town Officials.

## Surveys

Using elements from Don Dillman's *Total Design Method* for conducting surveys (1978), a self-administered survey was mailed to residents of both ROC's and IOC's to query them about basic demographic information, household economic factors, as well as their perceptions about living in their park. All of the residents in the sampled parks were mailed surveys, with the exception of one town, where only 50% of the homes were sampled due to the town's large size and the possibility that a full sample could skew the results. Of the 1,187 surveys sent out, 698 were returned for an overall response rate of 59%. Overall, the response rates were very similar between the two groups, with 356 surveys completed by residents of ROC's and 342 completed by residents of IOC's (Ward, French, & Giraud, 2005).

## Town Tax Records and Multiple Listing Service Data:

Town Tax Cards were accessed in order to analyze and compare information on assessed value of homes. Likewise, data from the state's Multiple Listing Service (MLS) were used to compare lot rent fees and the number of days on the market for homes sold in ROC's and IOC's.

## Interviews:

In-depth, structured interviews were conducted of Board members from 20 ROC's across the seven sample towns to get their perceptions of the benefits and challenges of living in cooperatively owned parks. Because IOC's do not maintain formal leaders, there was no way to obtain a compatible sampling for IOC's. In spite of this, the interviews of ROC Board members provided valuable insight regarding how each of the ROC's changed since they converted from an IOC to an ROC. The positions of the ROC Board members interviewed included:

- 7 Board Presidents/Chairs
- 2 Vice Chairs
- 4 Treasurers
- 2 Secretaries
- 1 Infrastructure Coordinator
- 4 Members-at-large

In addition, one to two town officials were interviewed in each of the seven sample towns to determine their perceptions of ROC's and IOC's. The 12 town officials who were interviewed fell into one of three categories; safety officer, elected representative, or administration professional (e.g., planner, assessor, etc.).

## Findings

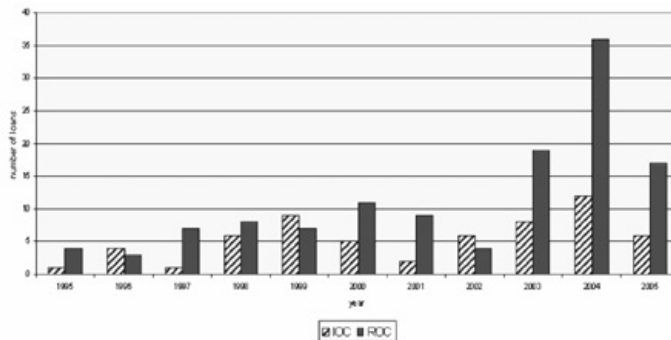
Although there were a number of economic variables examined in the study, only four are addressed in the following section, as they relate to the four advantages that were proposed above. These variables are access to mortgage-competitive financing, stabilization of housing costs, opportunity to build equity, and sense of ownership and control.

### Access to Mortgage-Competitive Financing

Data on home loans were collected from the surveys to determine whether ROC residents have better access to financing than IOC's. One theme that appeared in numerous surveys was the stated lack of availability of low interest loans for the purchase of manufactured homes.

As Figure 2 below illustrates, homeowners from ROC's obtained more loans to help finance their home purchases than those from IOC's between 1995 and 2005. Moreover, the number of loans to ROC's increased dramatically over the past few years as new lenders made mortgage financing available to homeowners. In contrast, residents of IOC have had fewer loans and were often forced to purchase their homes outright in order to avoid the high interest rates available through personal property loans or variable-rate loans.

**Figure 2.**  
Number of Mortgage Loans by Community Type, 1999-2005 (2005 Partial Yr.)



Adapted from Ward, S., French, C., & Giraud, K. (2005). The effect of cooperative ownership on appreciation of manufactured housing. *Cooperative Housing Journal*. 2005/2006 Annual Issue, p. 22.

### Stabilization of Housing Costs

The second hypothesis is that ROC's provide more stable housing costs than IOC's. This was tested by comparing monthly lot fees paid by homeowners in ROC's and IOC's. The monthly lot fees paid by homeowners in ROC's are used to pay off their share of the mortgage for the land, as well as for maintenance and improvements. In contrast, monthly lot fees paid by homeowners in IOC's go to the landlord for land rent, much of which is converted to profit.

**Table 1.**  
Lot Fee by Community Type

Community Type	Summary of Monthly Lot Fee/Rent		
	Mean	Standard Deviation	Frequency
IOC	277.62238	36.12557	307
ROC	265.9269	39.524786	342
Total	271.45928	38.373348	649
Anova F prob < .01			

As Table 1 above illustrates, the average lot fee for ROC's (\$265.93) is nearly \$12.00 per month less than the lot fees for IOC's (\$277.62). Taking into consideration that lots in ROC's tend to be larger than lots in IOC's, this appears to be a significant factor. In effect, homeowners in ROC's pay less in lot fees in spite of the fact that, on average, their homes reside on more land. Additionally, the monthly lot fees for ROC's tend to drop after the ROC has been in operation for 11 or more years, after which average monthly lot fee for ROC's drops to about \$242. In contrast, monthly lot fees tend to go up over time in IOC's (Ward, French, & Giraud, 2005).

Albeit there are certainly other costs associated with living in a manufactured housing park aside from monthly lot fees. However, because lot fees are somewhat less on average for ROC's than IOC', and because these fees tend to go down over time, this suggests that there is more stability with regard to housing costs in ROC's. It is in ROC residents' own interest to keep costs down, as each owns a collective share of the park.

### Opportunity to Build Equity

The third hypothesis, that ROC's provide residents more opportunities to build equity than IOC's, was tested by comparing homes' assessed value, as well as the sale price of homes sold recently in both IOC's and ROC's. The assessed values of individual homes were pulled directly from tax cards, while data on recent sales of homes in the study-sample parks were derived from the local Multiple Listing Service (MLS).

As Table 2 shows, homes in ROC's sold for \$4566 more, on average, than homes in IOC's between

1999 and 2005. Part of this price differential might be attributed to the fact that the homes tend to be slightly larger. However, just looking at sales from 2004 to 2005, the price differential increases to \$7234. Paul Bradley, with The Loan Fund, believes that this is due to the fact that potential homeowners, lending institutions, and other supporting organizations are finally realizing the financial advantages that ROC's pose to homeowners by virtue of the fact that each owns a share of their park.

**Table 2.**  
Data from ROC and IOC Sales

	Sales Since 1999		Sales 9/22/04 - 9/22/05	
	ROC	Investor	ROC	Investor
Price	45,884	41,318	53,077	45,843
Living area	1035	953	1017.8	936.9
Age of home	22.4	22.8	17.6	23
Assessed value	38,803	35,565	40,021	36,882
Days on market	68	72	60	83
Price per sqft	42.4	41.9	55.1	48.6
Assessed value per sqft	36.9	36.8	38.7	38.5
Adapted from S. Ward, S., French, C., & Giraud K. (2005). The effect of cooperative ownership on appreciation of manufactured housing. <i>Cooperative Housing Journal</i> . 2005/2006 Annual Issue, p. 22.				

The fact that homes in ROC's spend, on average, 23 fewer days on the market than homes in IOC's suggests that they may be more desirable to potential homeowners. And, the more demand that there is for a particular housing sector, the more likely it is that it will increase in value. This provides existing and future homeowners in ROC's with enhanced opportunity to build equity, something which lending institutions in New Hampshire are beginning to recognize in their lending habits.

### **Sense of Ownership and Control**

The data collected via mail survey and interviews were coded and analyzed using NVIVO 2.0, a qualitative analysis software package. The results of the analysis suggest that ROC's pose a number of social and economic advantages to park residents as compared to IOC's. Foremost of these benefits is the increased sense of ownership and control over their homes and their communities that is perceived by ROC residents.

A primary reason why residents pursued the formation of a co-op was to gain a greater sense of control over their park and over their lives; they did not want their community to be subject to someone else's decisions. As one co-op Board member described it:

I am a part owner of this whole community. I have a say in everything that goes on here whether I'm on the board or not . . . that is something that you don't normally have in a mobile home park . . . I own this.

That same individual suggested that this sense of ownership was *not* present when an investor owned the park just a few years prior.

The interview data also suggest that ROC residents are motivated to take care of their homes and their yards because they own them. In fact, when ROC Board members were asked how the physical appearance of their park has changed since transitioning to a cooperative, the majority responded that their park improved. One ROC Board member said:

I've heard more from outside people how much nicer the park looks since we've taken over . . . a lot of the changes are gradual changes . . . [p]eople that don't come in here often are the ones that notice the difference.

This sentiment was echoed by the town officials who were interviewed, most of whom stated that ROC's were better maintained.

Last, it is important to note that many of the ROC Board members interviewed in the study have become involved with informal leadership roles as a direct result of their experience on the board. Such roles include coordinating volunteer beautification projects, organizing social events, and heading up a recreation committee. Others have taken on formal leadership roles, including serving on the Parent Teacher Association, Planning Board, Town Council, emergency services coordinator. One Board member became so well known for her success at advocating for her ROC with the state legislature that she was subsequently elected as President of the Manufactured Home Owner Tenants Association of New Hampshire (MOTA).

## Conclusion

Based on the analysis of data acquired via personal interviews, tax records, and the Multiple Listings Service, we conclude that resident ownership provides a range of economic and social benefits. Foremost, resident-owned communities provide homeowners with greater access to mortgage financing, whereas homeowners in investor-owned communities are often limited to securing personal property loans or variable-rate loans at a significantly higher interest rate.

A second benefit that resident ownership provides to homeowners is the stability in monthly lot fees compared to monthly lot fees paid by homeowners in investor-owned communities. Not only are the fees lower on average in resident-owned communities, but they also appear to decrease over time. Fees in investor-owned communities generally go up over time.

Resident ownership also appears to have positive implications on home values. On average, manufactured homes in resident-owned communities are valued 10% higher than homes in investor-owned communities and perhaps even more so over the last couple of years, as new lenders have made mortgage loans available to ROC's.

Finally, ROC's pose a number of social advantages, such as residents' increased sense of ownership and control over their homes and their communities that is manifest in how they take care of their homes and yards.

These findings suggest that resident ownership could be an important sectoral strategy to help low and middle-income families attain social and economic well-being. That is not to say that resident ownership goes without its challenges, such as negative stereotypes that many have of the manufactured housing sector, and the financial and organizational challenges that self-management poses. However, if New Hampshire is any indication, then perhaps the resident ownership model could help manufactured homeowners around the country achieve social and economic well-being.

## Implications for Extension

The resident ownership model poses a number of advantages to homeowners. In spite of this, the model has not taken off across the country because most states provide little in the way of technical, financial, and managerial support to help manufactured homeowners form ROC's and manage them once they are established. The fact is, there is a host of financial, managerial, legal, and infrastructural challenges involved with starting and managing ROC's. Overcoming many of these challenges requires material resources. Perhaps equally important, overcoming these challenges requires a high level of technical and organizational skills that are not likely to be maintained by the residents of manufactured home communities without some external support.

Given that Cooperative Extension specializes in providing individuals, organizations, and communities with educational outreach, perhaps there is an opportunity for Extension to provide ongoing training to ROC Board members (or potential Board members) to build their capacity to address complex issues pertaining to ROC management and thereby increase their likelihood of achieving success through the resident-ownership model.

Based on interviews with 20 ROC Board members, the most crucial skill-building gaps appear to be in the following areas:

- Organizational management (e.g., running meetings, board decision-making, sharing responsibilities).
- Financial management (e.g., billing, business contracts, accounting).
- Maintenance of infrastructure (e.g., contracting, sewer/water maintenance, landscaping).
- Conflict resolution (e.g., interpersonal relations, addressing park violations, resolving disputes with park neighbors and municipalities).

Cooperative Extension already provides training in the above-mentioned areas. Thus, developing training specific to ROC Boards might simply be a matter of tailoring existing curriculum to address issues that ROC's face. Through the provision of training, Cooperative Extension could help advance the ROC model nationally.

With the exception of one or two states, including Minnesota, Cooperative Extension services have not yet worked extensively with ROC's. Perhaps the concept of resident ownership is so new that Extension has not had time to focus its energies on this important affordable housing sector. Or perhaps collaborative partnerships have not yet been established with organizations, agencies, and institutions whose expertise is needed to ensure the success of ROC's.

But one thing is certain; if housing costs continue to rise faster than incomes, the housing crisis will only worsen. The resident ownership model provides Extension with an opportunity to get involved at the ground floor in helping low to moderate-income communities to build wealth through home ownership.

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