



**TAKING STOCK OF ARIZONA'S
DISTRESSED MOBILE HOME PARKS
A PILOT STUDY**

EXECUTIVE SUMMARY

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Executive Summary

Mobile homes are an important part of the affordable housing stock and are often the only home ownership opportunity many families and retirees have. According to the 1990 Census, Arizona ranked fourth of all states in terms of mobile homes as a *percentage* of all dwelling units at 15.1 percent and was one of three states (North Carolina and South Carolina being the others) which were in the top ten in this category as well as in the top ten in terms of the highest total *number* of mobile homes. Maintaining an affordable housing stock is important as Census Bureau data indicates that Arizona is ranked tenth among states in the percentage of residents living in poverty today.

This pilot study was commissioned by the Cities of Tucson, Prescott and Yuma to evaluate the impact of distressed mobile home parks in Arizona and develop strategies to address the key issues. The term distressed mobile home park is taken to denote those parks which demonstrate a negative impact on their residents and/or surrounding neighborhood. The types of impacts studied in this report fall into three categories:

- Physical Impacts – related to health and safety and infrastructure
- Neighborhood Impacts – related to property value, crime and zoning
- Social Impacts – related to affordable housing, families and retirees

Three communities were selected for this pilot study as representative of different cross sections of the state: a large urban community (Tucson); a mid sized border community (Yuma); and a small rural community (Prescott).

The need for this study was determined based on the following issues:

- Mobile homes make up a significant part of the total housing stock in Arizona.
- Mobile homes have traditionally provided an affordable housing option for low income residents
- Mobile homes, through their design, have different maintenance and repair requirements which can be difficult to mitigate
- Mobile home parks have unique infrastructure requirements; ownership, rental and occupancy issues; density issues; and redevelopment options, all of which limit improvement strategies
- Mobile home parks, when they become distressed and fall into disrepair, have a severe impact on the surrounding neighborhood
- No body of information exists in Arizona with regard specifically to mobile home parks

Important Terms, Groups, and Laws

A common level of baseline understanding (and in some cases definition) is necessary to fully grasp the framework under which mobile homes and mobile home parks operate in Arizona today. This includes an understanding of certain commonly used terms, key constituencies and some discussion about laws which are unique to mobile home parks.

For the purposes of this study the term “mobile home” will be used to refer to any and all factory built dwelling units which were designed for or are being used as permanent residences.

HUD Code Homes

Mobile homes built after 1976 are constructed to a uniform set of federal guidelines and are referred to as “HUD Code homes”. “Pre-HUD Code homes” are mobile homes constructed before 1976 and were not built to any national standard, and as such are of varying levels of quality. The term “mobile home” is sometimes used to refer to Pre-HUD Code homes; with newer homes being referred to instead as “manufactured housing.” The methodology of bisecting the universe of mobile homes in this manner (without attention to the overall quality and level of maintainedness of a given home) has led to a number of problems which are discussed throughout this report. For the purposes of this study it was not the age of a home which was important, but rather its livability.

Key Constituencies

The mobile home associations that oversee the key constituencies complement one another’s focus. At the state level there are four key entities that either regulate or represent the industry and tenants as it relates to mobile home and mobile home park specific issues:

- Manufactured Housing Communities of Arizona (MHCA) – Statewide industry association for mobile home park landlords, owners and managers
- Arizona Association of Manufactured Home Owners (AAMHO) – Statewide industry association for mobile home park tenants
- Manufactured Housing Industry of Arizona (MHIA) – Statewide industry association for mobile home builders
- The Office of Manufactured Housing – As a Division of the Arizona Department of Building and Fire Safety, this state regulatory agency monitors the safe siting of mobile homes throughout the state and administers the Mobile Home Relocation Fund

Throughout this process the working relationship between these entities appeared quite strong, and these groups’ vast knowledge of the subjects at hand were capitalized on during the development of this study.

Mobile Home Park Specific Legislation

The Arizona Mobile Home Parks Residential Landlord and Tenant Act¹ (LTA) is an important piece of legislation which applies specifically to mobile home parks. This act establishes guidelines for landlord-tenant relations, including delineating the responsibilities of both parties in the maintenance of the combined living area. The act also contains procedures relative to abandonment issues and the process by which a park owner can take legal possession of a home abandoned by its owner within a park. The LTA also establishes eligible uses of the Mobile Home Relocation Fund. This fund is a safety net for residents of owner occupied mobile homes sited in parks. It contains money which can be accessed by mobile home owners to move their homes under certain conditions.

Study Process Overview

In order to understand the mobile home industry and mobile home residents, as well as the key issues associated with these two groups, ESI conducted a variety of outreach activities including researching “best practices” in other parts of the U.S. In all, the efforts involved five key activities.

Community Meetings

A crucial step in the undertaking of a study of this sort is involvement of the general public. These people provide an “on the ground” understanding of what issues are truly the most important in a given community as well as what sorts of strategies would be palatable to address them.

Two community meetings were conducted in each of the pilot communities to obtain public input. For each community the first meeting was used to identify issues; while the second meeting was used as an opportunity for the public to provide comment on possible strategies which had been created to address these issues.

Surveys

Resident surveys were mailed out to mobile home residents in each of the pilot communities to solicit information concerning a variety of topics (including landlord-tenant relations, their concern about certain issues, park size and age, as well as the existence of certain park rules and conditions). These surveys were also used to gather demographic information.

¹ The legislation which falls under this title includes Arizona Revised Statutes Title 33 Chapter 11, Title 33 Chapter 17, Title 41 Chapter 16, and Title 41 Chapter 1. Discussion here refers to the most recent version of this act as of the writing of this report (July 18, 2000). Copies of the full document are available at no charge from the Public Services Department of the Arizona Secretary of State's Office.

Park owners and managers were viewed as another important constituency group which needed to be heard in the process of this study. Surveys were sent out to park owners / managers to gather information about parks, including the mix of homes (single wide, double wide, RV, etc.), normal vacancy rates, as well as a number of identical questions to those asked in the resident survey for comparative purposes.

Industry Experts

A “Mobile Home Roundtable” was conducted to bring together many noted experts in the industry from the state and local levels, including park owners/managers, park tenants, manufactured home builders, park developers, financiers, appraisers, city planners, and enforcement officials, to help create and discuss strategies to address issues identified in community meetings.

Park Inventories and Site Visits

One goal of this study was to create baseline information regarding mobile homes in Arizona. To that end, an inventory of mobile home / RV parks in each of the three pilot communities was created through the use of electronic phonebooks, assessor databases, and a database supplied by Arizona State University. Prescott has a total of 34 parks and about 1,500 spaces. Tucson has 80 parks and about 10,000 spaces within the city limits. Yuma has 77 parks and about 8,000 spaces in the city.

ESI also conducted site visits to a number of parks in each city. The purpose of these visits was to assess firsthand some of the best and worst living conditions which today's mobile home park residents face. An additional objective was the identification of the positive characteristics which were present in the high quality parks which could be replicated in all parks. Parks were visually inspected and evaluated for a number of criteria. These criteria included aesthetic (such as the appearance of park signage and presence of outer fencing), health and safety (including broken windows and unsafe steps leading to the home), and functional criteria (such as available parking and whether spaces appeared to be able to accommodate units larger than single wide).

Best Practices

An important part of the study process was to identify innovative solutions and proven strategies already in place. These strategies were gleaned from around Arizona as well as nationally, and provide a track record which can be used to understand potential pitfalls associated with a given strategy. This research was critical in developing realistic strategies which could be implemented to address the issues in the pilot communities and Arizona in general.

General Issues and Current Constraints

A variety of issues were the subject of research which included investigation of best practices in other communities throughout the US. These issues are noted with a brief discussion concerning the significant findings.

- Regulatory, Zoning, and Land Use
- Lending Practices
- Bankruptcy
- Economic Life
- Taxation
- Mobile Home Relocation Fund
- Affordability
- Home Age Restrictions in Parks

Regulatory, Zoning, and Land Use

Regulatory and zoning issues can be divided into two major groups; those concerning older mobile homes and mobile home parks and those related to new “manufactured housing.”²

The issue with older mobile home parks is quite simply that they are often viewed as inferior housing products. To some extent this is the case of the most distressed parks also being the most memorable in the eyes of the general public, but older parks were also typically built under a lower level of building code and zoning restrictions.

For new mobile homes, even planners who fully support their integration into the general housing stock differ on the terms under which this should take place. Both subjective and objective zoning practices exist; each with their own set of pros and cons in terms of mobile homes and mobile home parks.

In terms of land use, there are three major factors which are causing an increase in the need for places to site mobile homes:

- Removal of some of the older parks
- Renovations which are reducing the total number spaces in existing parks
- Increases in the number of mobile homes in Arizona.

It is important to be cognizant of these factors when planning an appropriate mix of housing options in any community.

Lending Practices

The divergence of lending practices is important to acknowledge and understand in studying mobile homes and mobile home parks. Lending practices are another area where new mobile homes are substantially different from older mobile homes. While

² The relevance of regulatory and zoning issues related to new mobile homes is derived from the fact that the stock of mobile homes is rapidly increasing; while places to site them are not necessarily increasing in prevalence.

new double wide and larger homes can be financed on similar terms to site built homes (when financed in conjunction with owning the land), smaller homes, older homes, and mobile homes located in parks face higher interest rates and shorter loan durations if financing can be found at all. In practice, many park owners who own homes and wish to sell them to tenants are forced³ to finance the loan themselves.

Bankruptcy

Bankruptcy law as it exists today is an issue for mobile home owners and potential owners. Current law treats mobile homes as personal property and site built homes as real property for bankruptcy purposes. This difference causes a distortion in the market (since personal property can be reduced to current market value at the request of the borrower in the event of bankruptcy while real property cannot). This is one reason that lenders face higher risk when loaning for a mobile home purchase (and therefore one source of the difference in loan terms discussed above). Federal legislation is proposed to remove this differential treatment.

Economic Life

Again, it is instructive to note that mobile homes built today are substantially different than older mobile homes. Today's mobile homes have a similar useful life to site built homes. Since Pre-HUD Code homes were built to varying sets of design specifications it is difficult to generalize about their economic life. Based on site visits by ESI as well as conversations with industry experts it is reasonable to say that *some* Pre-HUD Code homes are functionally equivalent to site built homes of the same age; but not all.

Economic life is also an important issue to be addressed from the perspective of mobile home parks. The sudden increase in the popularity of mobile homes toward the end of World War II created a previously unseen level of demand for mobile home parks as well. To meet this demand, many parks were built. Many parks built during this era have been subsequently redeveloped as other land uses. Those which remain are more than 50 years old and were constructed with the intent of siting the smaller mobile homes of the day (rendering them functionally obsolete by today's home size standards).

Taxation

Mobile homes are currently assessed by a depreciation methodology which is based on the original factory list price of the unit. While data of sufficient quality is not available today, it appears that mobile homes do not in fact depreciate any more than a site built

³ "Forced," though this is anecdotally a fairly profitable undertaking with lower downside risk to a park owner (as compared to a bank) for two reasons. First, the park owner (or landlord) can feasibly monitor activity on a regular basis, minimizing the chance the home will be severely damaged or even moved without the knowledge of the lender. Second, if the renter defaults on the loan, the home is already sitting in the park to be rented or sold again.

home of similar age and quality.⁴ To the extent that this is true, it is reasonable to say that mobile homes put a level of drain on the tax rolls. However, quantification of this drain is a contingent fact which depends on a number of assumptions, including whether mobile homes are primarily a substitute for site built housing or apartments, and if their relatively lower cost spurs a higher level of household creation.

Mobile Home Relocation Fund

The Mobile Home Relocation Fund is intended as an insurance policy for mobile home owners who live in parks. The most important shortcoming of the fund today in serving this function is that it is seldom used (and has been accumulating a substantial balance). One reason for this is a lack of knowledge of the fund by those who would be eligible to use it. Restrictive rules as to the logistics of accessing the fund also reduce the frequency of its use. It is recommended that the rules regarding its access (particularly in emergency situations) be relaxed to allow the fund to more fully fulfill its intended use of providing financial support to mobile home owners who are forced to move their homes out of mobile home parks.

Affordability

Mobile homes have long been a source of affordable housing. Historically, this has been true to an even greater extent for those mobile homes located in parks as opposed to sited on individually owned parcels due to the higher upfront cost of the latter arrangement. While overall payments for owning a mobile home can often be even lower than apartment costs, the inability of workers living paycheck to paycheck to have and maintain good credit and to accumulate the necessary downpayment remains a substantial barrier.

Another strategy which would help to more fully address the issue of affordable housing in a more general sense would be to expand existing housing programs (or even to provide greater access to their use for this purpose where allowed) to include mobile homes as eligible residences. The relatively low cost of mobile homes could allow a greater level of housing assistance (in terms of number of households aided) with a smaller level of funding.

Home Age Restrictions in Parks

One fairly common rule which exists in a number of mobile home parks is that homes older than a certain age be moved out of the park when sold. The goal of such a rule is fairly straightforward, to help the park owner preserve the value of his investment. The value of a park (including the rent the owner is able to charge in the open market) is in part dependant on the appearance of that park. As homes become worn out it is in the park owner's interest to have them removed in favor of newer homes. The law does not

⁴ Homes themselves tend to remain at a fairly constant value for a number of years; losing value later in their useful life. Property taxes increase over time predominantly due to the appreciation of the land.

permit the forced removal of older homes which maintain the same ownership; the sale triggers the rule.

The effect of such a rule amounts to a decreased market value of older homes, due both to the additional expense of having to move the home when purchased (including finding a suitable end location, since parks can also have rules which do not allow **entry** of homes older than a certain age under the same rationale described above), as well as due to the cost borne by the purchaser of having to endure similar restrictions when and if the home is to be sold again. Pre-HUD code homes are also legally required to be inspected and issued a certificate of compliance when moved.

A consequence of this rule is that owners of older homes can become “trapped” in their home at its existing location. While it cannot be sold, it may remain a sensible affordable housing option for the owner. This leads to a situation in which these older homes are concentrated in certain parks, adding to the negative perception of mobile home parks (which while true of some, is certainly not a reasonable generality for all parks).

The ideal rule for management is one which allows homes to be evaluated for appearance and approved for the park on a case by case basis regardless of the age of the home (and such rules certainly exist). One possible concern about such a rule is that by virtue of its being applied subjectively it could make the park relatively more vulnerable to legal action.

Pilot Community Issues

At the first community meeting in each of the three cities mobile home and mobile home park issues were identified by a diverse group of stakeholders which included residents, park owners/managers, statewide organizations working directly in the mobile home industry, housing and low income resident advocacy groups and municipal officials.

Nearly every issue identified could be sifted down into the following five main concepts (listed in no particular order):

- Obsolete lot sizes
- Annual rent increases
- Enforcement of existing municipal, county and state codes and laws
- Maintenance of homes and lots
- Replacement, recycling and refurbishing of older homes

The issues related to “obsolete lot sizes” manifest themselves in a wide variety of ways. The basic factors in this issue are two fold: 1) taste in home size and more importantly home dimensions have changed over time; and 2) the size and shape of lots, and consequently the infrastructure leading up to the lots are very expensive to change. These opposing factors have resulted in creative and not so creative solutions. The simple solution is to put homes on lots which are larger than were intended for the lots.

The more creative solutions involve reorienting the home, parking, awnings, etc. on the lot or combining two lots into one. The most comprehensive solution is redesigning the park. This issue can cause safety hazards when emergency vehicles cannot navigate the park, or if a fire starts in one home it can quickly spread to neighboring homes. The appearance of the park can also be diminished when it is not filled in accordance with its original design.

“Annual rent increases” was the most often cited issue among tenants. This issue is of most concern to low income and fixed income residents. Issues most often cited included annual rent increases exceeding the Cost of Living Adjustment (COLA), and rental increases not accompanied by commensurate reinvestment in the park. Due to the high cost of moving a mobile home, a large increase in lot rent does not always result in tenants moving out of a park like might be expected in an apartment building. Additionally, older homes may be impossible to move due to their physical condition; they are likely to not be accepted in another park due to their age; are often not allowed to remain in their current park upon sale; or may not be able to receive a new installation permit from State regulators without major rehabilitation.

The “enforcement of existing municipal, county and state codes and laws” was an issue brought up by both tenants and landlords. The issues raised generally related to the consistent and fair enforcement local building codes, zoning codes, LTA, recreational vehicle laws and renters laws. The ultimate responsibility for enforcement lies with the government entities which oversee the various laws which govern mobile home parks. However, the strict enforcement of these laws would likely result in the condemnation of many housing units or entire parks, thus making homeless many residents.

The lack of “maintenance of homes and lots” can cause many parks to look distressed. The distressed parks viewed in the site visits conducted for this study generally looked distressed due to the conditions of the homes and lots. It is unclear where the responsibility for the lack maintenance lied since it was generally not known if the homes themselves were rented or owned by the residents. The enforcement of park rules concerning maintenance is one of the common complaints between landlords and tenants. Ironically, these complaints range from enforcement being too strict to too lenient. The poor maintenance of homes can result in unhealthy and unsafe living conditions for the residents and neighbors.

The condition of many of the older mobile homes is resulting in the general need for “replacement, recycling and refurbishing.” In many cases people are living in homes that were never designed to be permanent residences (e.g. travel trailers), or are living in homes which are well past their intended useful life. The condition of older homes runs a wide gamut from pristine to unlivable. With the continuum of conditions which exist, so to are flexible solution(s) needed. Low and moderate income residents will likely need extra assistance in bringing their housing situation up to a livable standard.

Recommendations

- Consistently and comprehensively enforce existing laws and codes – The starting point for improving conditions in distressed parks is the enforcement of existing codes and laws. Both park owners/landlords and residents agreed on this point. Municipal staffs also agree this is necessary, but are limited by time and resources.
- Monitor parks and target chronic offenders – Problem properties, those which are chronic offenders of various state and local laws, were deemed to be the ones most difficult to effect any meaningful change upon. Some park owners have learned to work around the system by doing the minimum possible to maintain their properties. In enacting stricter enforcement, the local government needs to ensure that undue burden is not placed on the properties which work within both the letter and spirit of the law. Maintaining a history of park violations (from various municipal departments) and enacting stricter enforcement on only those which are chronic offenders is a means by which only the worst offenders will be affected.
- Encourage safe, clean and affordable mobile home parks – Mobile homes and mobile home parks provide affordable housing options for many Arizonans. The pride of home ownership is often only attainable for many families through the purchase of a mobile home and its placement in a park. Municipal planners and elected officials need to recognize the need to maintain and increase the availability of affordable housing, which can be offered through mobile home parks.
- Promote information dissemination and communication – As is the case in many contentious issues, mobile home park issues are often based on misinformation, incomplete information or a tradition of distrust. Be it the state or local level, the parties involved include elected officials, regulating agencies, park owners/landlords and park residents. At the state level, the lines of communication appear to be broad and open between these groups while at the local level these relationships appear to be more strained. Strengthening the relationships between these groups will help with the implementation of all of the strategies proposed in this report.
- Minimize government's role and encourage entrepreneurship and self help – Throughout this process it was clear that all parties involved did not want all the solutions to come from the government. It was clear that the local governments involved in this study wanted to do more, but are limited by staff time and overall budget. The mobile home industry, in general, is healthy and provides affordable housing opportunities for families and profits for investors. The role of non-profit organizations, entrepreneurs and targeted government action can effect meaningful change in the conditions of problem properties.
- Do not eliminate or endorse individual mobile homes based strictly on age – The first year of minimum federal *construction* standards for mobile homes was 1976. Having a home that was built before this time does not mean that it is necessarily uninhabitable, nor that homes built afterward are uniformly in good condition. Before 1976 the

construction standards were not uniform which resulted in both well built and poorly built homes. Beyond that, those which have been poorly maintained for many years may not be livable today no matter how well they were initially constructed. Due to their shape and park infrastructure, older homes are oftentimes the only types which can be easily accommodated by older parks. Older, smaller, well maintained and inexpensive mobile homes still have a place in the continuum of housing product which should still be available.

- Eliminate slums – This recommendation transcends mobile homes and mobile home parks. Slum conditions affect not only the residents of the property itself, but the neighborhoods in which they are located. The state currently allows for local governments to enact stricter enforcement standards on properties determined to be slums. The vast majority of mobile home parks are not slums, however the relatively small number of properties which exhibit slum conditions often is viewed as representative of the entire industry.
- Develop a safety net for displaced families – The process of improving the conditions in the worst parks will likely result in the displacement of families as parks and homes are deemed to be in unlivable conditions. The Relocation Fund offers a safety net in certain circumstances for residents of parks who own their home, however this fund does not apply to families which rent their home. Local housing assistance programs will likely be required if comprehensive enforcement is to be conducted on distressed parks.
- Broaden access to the Relocation Fund – The Relocation Fund was initially implemented as a safety net for mobile home park tenants in case some day they are forced to relocate. All park tenants in owner occupied units pay into the fund through their property tax bill. After 11 years in existence, the fund has a current balance of \$5.2 million. While the fund's current uses are appropriate, there are likely other purposes for which the fund could be used which meet the goals for which it was created. At a minimum, the fund needs increased promotion, especially to local and state agencies which provide services to low and moderate income families. In addition to this, some other possibilities include increasing the amount given for rehabilitation from the current level of \$1,000, increasing access to the fund for targeted constituencies/purposes or using a one time draw down for the implementation of a targeted strategy.

Strategies

A total of 22 strategies were developed to address issues identified throughout the study process, and were divided into the following four general categories:

- Enforcement
- Housing Stock and Family Assistance
- Park Ownership and Redevelopment
- Communication

Conclusion

Mobile homes make up a substantial and important part of the state's affordable housing stock. Mobile home parks are a cost effective place to site them and are important in that they help to preserve the existence of a diverse housing stock in the state. The majority of mobile home parks are in good, safe, clean condition. For the limited number that do not meet health and safety standards, innovative strategies are needed to help bring them up to these standards without placing their residents in jeopardy of homelessness.

This study is important to the State of Arizona on a going forward basis for a number of reasons. It has served to create a baseline level of information concerning mobile home residents in the state and the significant issues they and others involved in the industry face today.

Given the extent of the diversity of living in Arizona (considering such factors as urban vs. rural living, geographical location, and size of the population), some more targeted understanding of different sorts of communities was needed. To this end, further efforts were focused on the pilot communities in an effort to create a number of models for other similar communities in the state to borrow from to address their own issues.

Given the diversity of mobile home parks in the state, this study has provided a baseline for the state's mobile home parks. It has also provided a starting point for the state to begin to address the significant issues they face today.

Mobile home parks are an important part of the state's affordable housing stock. They are also an important part of the state's diverse housing stock. The majority of mobile home parks are in good, safe, clean condition. For the limited number that do not meet health and safety standards, innovative strategies are needed to help bring them up to these standards without placing their residents in jeopardy of homelessness. This study has provided a baseline for the state's mobile home parks. It has also provided a starting point for the state to begin to address the significant issues they face today.

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