SUSTAINABILITY ASSESSMENT OF AFFORDABLE MOBILE HOME PARKS IN VERMONT

EXECUTIVE SUMMARY

Prepared for the VERMONT HOUSING & CONSERVATION BOARD

Prepared by
JOHN RYAN, Principal
DEVELOPMENT CYCLES
East Montpelier, VT
EXECUTIVE SUMMARY

The Vermont Housing & Conservation Board engaged consultant John Ryan, Principal of Development Cycles, to provide an assessment of the sustainability of 52 affordable mobile home parks in Vermont by reviewing financial, quality, infrastructure and market conditions present in these parks. VHCB’s interest and investment in the parks stems from its commitment to providing a range of permanently affordable housing options to lower income residents in Vermont. The following summarizes the key findings and recommendations from that assessment.

1. Key Areas of Concern

The parks face a wide range of challenges in their efforts to offer this housing type as a decent, affordable option for residents. Some of these challenges are more common or more pressing than others. Every park has at least some concerns or risk factors but there are no concerns common to every park. The most critical issue or issues for each park is also highly variable depending on the particular context of the park. These challenges fall into one of six general areas:

- **Marketability**: high rate of vacancy or uninhabitable lots; abandoned and unmarketable homes; high concentrations of older residents; concern for the long-term marketability of MHP model to a younger clientele; location in a rural or low wealth area with only limited market potential.

- **Small Scale Capital Needs**: cost of removing abandoned homes; cost of meeting new HUD standards for concrete pads; limited replacement reserves to cover the ongoing cost of their small and medium scale needs.

- **Large Scale Capital Needs**: limited development capacity to navigate the complexities of financing larger projects; limited or poor understanding of their capital needs; anxiety over aging infrastructure; reduction in the available of low cost financing, especially soft or deferred debt.

- **Operational and Financial Sustainability**: low lot rents with only a limited capacity to increase them; high per unit operational costs; chronic underfunding of operations resulting in large accumulated losses; poor cash flow due largely to paying for capital items from operating budgets; high overall debt and/or high debt service payments.

- **Flood Danger**: location within either the 100-year or 500-year flood zone or dam inundation area.
2. **Financial Indicators**

A park’s financial wellbeing relies on a successful mix of several factors: adequate rents, relatively full occupancy, efficient day-to-day operations, limited debt, and a well-functioning road, water and wastewater system. Each park has its own unique mix of these factors and the variation between them is significant. Most have at least some successful ingredients for financial sustainability. None appear to be in immediate danger of financial insolvency. Each category of financial wellbeing has at least some parks that are underperforming. The biggest (because they are the most common) financial concerns include: 1) inadequate revenues because some combination of low rents, uncollected rents, high vacancies or uninhabitable lots; 2) low replacement reserve funds creating vulnerability to high cost system failures; and high debt payments. The parks that scored poorest in terms of their overall financial sustainability included the following:

- Whistle Stop MHP, Bradford
- Sunset Terrace Estates, Swanton
- Tuckerville, Ludlow

3. **Unit Quality Indicators**

Twenty-one percent of the roughly 2,000 MHUs in the portfolio have an assessed value of less than $10,000. Portfolio-wide, 18% of MHUs were built prior to 1976 when HUD first established building code standards for mobile homes. Finally, park owners estimate that 7% of their MHUs are at risk of being abandoned and unmarketable due to poor quality over the next five years. Taken together, these three factors serve as a proxy for the number and distribution of poor quality, sub-standard units in the affordable MHP portfolio. All but five parks have at least some homes with one or more of these factors for poor quality units. Half of the 300-400 poor-quality units defined in this assessment concentrate in about ten parks. There is considerable overlap between the parks with the most homes at risk of abandonment and those with the highest concentrations of low value and oldest homes. Five parks appeared on all three of these “at risk” lists.

- Whistle Stop MHP, Bradford
- Kountry Trailer Park, Bristol
- Locust Hill MHP, Putney
- Evergreen MHP, Rockingham
- Red Maple MHP, Springfield

Given their multiple indicators of poor quality, these parks all carry significant risk related to attracting new and younger owners over time and deserve particular attention.

4. **Infrastructure Vulnerability Indicators**

Forty percent of these parks have tied into either municipal water or municipal sewer systems and only about a quarter have both. At least 14 parks have substantial capital improvements to their drinking water and/or public wastewater systems or roads in their
five- to ten-year capital needs plans. The survey of park owners made clear that the fear of infrastructure failure (leaking distribution system, failing pumps, aging septic systems) represents the primary source of anxiety for these operators. The combination of the immediacy of impact these systems have on residents, the uncertainty of their functioning, and the length and complexity of any project to connect community systems to municipal systems, defines their challenge.

According to the ACCD’s Mobile Home Park Risk Assessment Report, four parks have homes within the floodway or 100-year floodplain, one more is entirely within the 500-year floodplain, and one is within a dam inundation area. For these six parks, flood risk represents an existential problem for homes within these various flood zones. Interestingly, flooding concerns did not come up in any of the interviews with park owners. The parks with the greatest inherent infrastructure and flood risk include:

- Mobile Acres MHP, Braintree
- Charette’s TP, Dummerston
- Hillside Manor, Starksboro
- Lazy Brook MHP, Starksboro

At least a quarter of the MHPs have major capital improvement needs scheduled for the next five to ten years. These include $200,000- $3,000,000 infrastructure projects at:

- North Avenue Co-op, Burlington
- Shattuck Hill MHP, Derby
- Haven Meadows, Fair Haven
- Lindale MHP, Middlebury
- Birchwood MHP, Milton
- Milton MH Co-op, Milton
- Homestead Acres, Swanton
- Shady Pines MHP, Westminster
- French Hill Manor MHP, Williston
- Olcott Falls MHP, Windsor

5. **Market Indicators**

One in ten parks have at least 15% vacant or uninhabitable lots, and four parks have vacant or uninhabitable lots equal to at least a third of total lots. A handful of parks also have trouble collecting their lot rents, with seven reporting Rent Receivables of greater than five percent. More parks that are located in communities with low median gross rents, high rental vacancy rates, and low median renter incomes also show up with risk factors of their own than do parks located in wealthier communities. The correlation is not direct but the relative health of a community’s overall housing market contributes to the health of the park. In all, the following parks show up at greatest risk with regards to market conditions:

- Mussey Street MHP, Rutland City
- Red Maple MHP, Springfield
- Sunset Terrace MHP, Swanton
- Roy’s MHP, Swanton
- Windy Hill Acres, Windsor
6. **Recommendations**

The following represents the consultant’s recommendations for VHCB to consider in order to address the key challenges facing these parks.

**Capital Support**

- **Recommendation #1**: Create a competitive pool of grant funding to assist with the cost of removing abandoned homes, building concrete pads to new HUD standards, and addressing smaller scale capital needs for those parks where limited operating revenue cannot reasonably cover those costs.

- **Recommendation #2**: Create a competitive pool of grant funding available for rehabilitating some of the roughly 300-400 poor quality homes located within the overall portfolio. More than 100 of these homes may be at risk of abandonment; the remainder still represent sub-standard housing for residents and increase the marketing challenges for these parks as a whole.

- **Recommendation #3**: Provide a competitive pool of technical assistance funding to help park owners navigate the increasingly complex process of financing a major capital project.

- **Recommendation #4**: Create a pool of revolving loan funds providing low cost long-term financing to cover both acquisition and needed infrastructure improvements for affordable mobile home parks. Review New York’s Manufactured Housing Cooperative Fund Program as a model for this purpose.

- **Recommendation #5**: In January 2023, the bond covering the acquisition of 12 of the 18 HFI-owned parks will mature and the parks will revert to the Vermont State Housing Authority, at which time they will, in all likelihood, be sold or refinanced. Ahead of that date, VHCB should work together with VSHA and HFI to utilize those transactions to a) help finance necessary capital expenditures at both HFI and other affordable mobile-home parks; and b) to explore the potential consolidation of ownership for some of the parks not currently owned by HFI.

**Marketing and Policy Support**

- **Recommendation #6**: Continue to provide leadership in advocating for the availability of federal and state sources of funding for larger capital needs projects, especially for preserving the sources of soft debt many of these projects require.
Recommendation #7: Continue to provide leadership in advocating for financing programs to assist buyers to finance and upgrade units such as Champlain Housing Trust’ down payment assistance program.

Recommendation #8: Work with the affordable park owners and other stakeholders to better utilize the existing provisions of 10 V.S.A. § 6251 and V.S.A. § 6252 to expand the effective ability of affordable MHP owners to a) cover the debt service for capital improvements through rent increases; and b) increase rents to address chronic shortfalls in operating revenue; and as need to craft language and mobilize legislative support for changes to the park notification and rent increase mediation sections of Title 10.

Recommendation #9: Work with the affordable park owners and other stakeholders to craft language and mobilize legislative support for changes to Title 10’s definition of a mobile home, especially as it restricts efforts to diversify the park to include modular or other innovative models that provide for more appealing housing options for younger residents, and provide leadership in advocating for the resulting legislative changes.

Recommendation #10: Work with Vermont Agency of Commerce & Community Development, the affordable park owners, and other stakeholders to provide stronger online marketing outreach and coordination, as well as positive branding strategies. These efforts should provide a more dynamic platform for linking prospective buyers to those affordable parks with openings; and b) reframe the image of mobile homes as an affordable option in a more innovative and positive light, especially for younger buyers.