
The Potential for the Development of

Manufactured Home Park Cooperatives in Northeast Ohio

The Cooperative Development Center at Kent State University

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I. THE OPPORTUNITY

Manufactured housing (aka “mobile home parks” or “trailer courts”) represents an affordable housing resource of substantial proportions. Emerging over the last 50 years virtually without plan, thought or subsidy – this sector is significant both in size and in scope, touching rural and suburban communities of all sizes from one end of the state to the other and providing unsubsidized yet very affordable home ownership to thousands of low-income families. This housing is currently under stress however, as the archaic system of ownership – whereby homes are owned by residents, but land by an investor owner – shows signs of strain. Increasingly, manufactured home parks are being closed by land owners seeking higher returns through redevelopment, displacing hundreds of households in the process¹.

The problems with manufactured home parks from a resident and community perspective are many: residents own their own homes, yet still face regular rent increases on the lots under their homes. They purchase their homes, but have no direct voice in park operations, capital improvements or maintenance. Typical leases are only for 30 days, yet homes are difficult and expensive to move leaving residents vulnerable to displacement and loss of their homes. In addition, home owners and their homes are often subject to unflattering stereotypes based on the unkempt condition of their parks, yet residents have no means to change these conditions.

All of these problems are endemic to the manufactured home park industry itself. Despite being a permanent source of year-round housing for thousands of families, the sector still bears vestiges of its beginnings in the travel trailer industry of the 1950s:

- Land ownership and home ownership are by different parties;
- Leases are typically month-to-month despite resident tenures in some parks of 20 years or more;
- Homes are recorded by the state as moveable chattel rather than real property, despite the cost and difficulty of actually moving them;

¹ This introductory discussion relies on an earlier paper by one of the authors “Lessons learned from Northcountry Cooperative Foundation’s Manufactured Home Park Cooperative Conversion Experience.”

- Home financing is offered at used vehicle rates or higher rather than more affordable home mortgage rates; and
- Regulation, such as it is, is the split between several state agencies with little attempt at universality or coordination between functions;

The piecemeal and unstructured way in which this affordable housing resource has evolved has left manufactured home park residents peculiarly disenfranchised and vulnerable. As homeowners, they have a significant monetary and personal investment in their homes, yet as renters they have virtually no power to control the land under or around it, and effectively no governmental authority to appeal to for redress.

Cooperative ownership provides a viable solution to this scenario, one whereby the ownership of homes and land are united; giving residents enhanced stability and control over their housing situation. The only significant example of transformation of a significant portion of the manufactured home park sector that has been accomplished without displacement and loss of housing has been through cooperative ownership. Since 1984, the New Hampshire Community Loan Fund (NHCLF) has organized and financed over 90 resident-owned manufactured home park cooperatives.

Cooperatively-owned parks now represent 20% of all manufactured home communities in the state of New Hampshire. About half of these parks are self-managed by park residents in addition to being resident-owned. These co-ops have – without exception – performed admirably, delivering higher quality housing at a lower cost to residents than any other ownership structure².

The purpose of this study is to explore the potential market for such cooperative conversions, particularly in rural Ohio. The Ohio Employee Ownership Center (OEOC) brings substantial experience in broad-based share ownership structures in the form of employee stock ownership plans (ESOPs). OEOC has the intellectual resources to play an important role in this sector, if in fact a feasible number of potential projects were to be located. The point of this study is to analyze - -form a preliminary point of view – whether that might be the case.

² Rents in resident-owned communities in New Hampshire lagged investor-owned communities by an average of \$40 per month after 10 years of resident ownership. University of New Hampshire, 2005.

II. THE OHIO CONTEXT

Manufactured home park conversions are somewhat complicated transactions. The projects take a willing seller of course, but also a willing buyer. Not all manufactured home park residents groups have the stability and wherewithal to make it through a complex financing structure, and finding the ones that do will take time. Successful conversion candidates must also present a reasonable conversion scenario from a financial perspective. Sadly, many manufactured home park communities suffer from significant neglect and disrepair. There may be instances where the remediation of decades of neglect is just too expensive for a resident group to shoulder. In these cases, it might be more beneficial for a nonprofit or other grant-eligible group to take ownership of the park. Financing the park conversions transactions is another potential hurdle. The current financial situation across the national banking sector could hardly be worse for introducing the financial sector to new ideas in affordable housing.

There are currently 1,800 manufactured home parks in the state of Ohio³. Thousands of Ohio families, many of them in smaller communities across the state, could desperately use a better deal for their housing. Our aim is to explore whether cooperatives may offer a solution.

Legal Environment for Manufactured Housing :

In order to determine the feasibility of manufactured home park cooperatives in the state of Ohio, there needed to be thorough research on the basic environment of the mobile home park industry. This required peeling away at mobile law, regulation and becoming familiar with the actors involved. Without this detailed information, The Center would not be able to determine whether or not the opportunity for mobile home park conversions exist in the State.

Chattel vs. real estate

The state of Ohio, like many states, has laws that are both conducive and non-conducive to the possibility of manufactured home cooperatives. A significant first step that affects

³ Ohio Department of Health 2009 list of manufactured homes.

all legal aspects of manufactured home park living is whether such homes are treated as chattel versus real estate under Ohio law. The state of Ohio recognizes manufactured and mobile homes as personal property unless they are considered “real property”. This conversion from personal property to real property only happens under certain conditions. These requirements include ownership of the home and the land underneath the home, as well as the home being attached to a permanent foundation. Before a home can be considered real property, the county auditor must approve the change.

The relative difficulty of receiving a designation of “real estate” as opposed to chattel property has significant impact on park residents for a number of reasons, one of the most important of which is financing. Homes considered real estate generally have access to conventional mortgage financing, with its relatively low interest rates and fixed rate terms. Chattel loans, on the other hand, are generally several percentage points higher than mortgage loans (and can be two to three times the rate) and seldom have long term or fixed rate features. This makes financing a manufactured home quite a bit more expensive than a conventional home of the same price.

As part of this study, we queried the Association of Manufactured Home Residents of Ohio (AMHRO) about where their resident members received their financing. According to the President of the organization, FHA insured Title 1 financing is available to manufactured home owners in Ohio, but only if the park is willing to offer a five-year lease. Otherwise, most homeowners obtain financing through a variety of other sources. In addition, during the phone surveys of Ohio parks, most operators mentioned they had a “rent to finance” scheme. In this case, the park would sell the home to renters, and in turn the resident would pay an additional \$100 to \$300, depending on the quality of the home.

There is possibility that homes would be considered real property in a park that is cooperatively owned. We contacted a lawyer from ABLE law firm in Toledo who suggested asking individual county auditors. Unfortunately since there is no manufactured home park cooperative existing in Ohio, the county auditors solicited where not sure of the real estate status in a cooperative park. This situation of uncertainty is comparable to that in a number of other states, where the legal status of manufactured homes and their eligibility for various legal designations or financial products is simply uncertain and vague.

Landlord Tenant Law

One of the most fundamental definitions concerning manufactured home parks is the legal definition of a park itself, which in the case of Ohio is any tract of land that has at least three mobile homes or more. In order to avoid landlord tenant law, some operators have tried to subdivide their land into multiple parcels. Prior to 1999, the state of Ohio prevented this by stating that if items such as utilities and common spaces were shared then it is still a mobile home park, even if the land is subdivided. This is no longer the case, however, and now the law only requires three homes to be on a single tract of land.

This designation is important for a number of reasons. In terms of the maintenance of the parks, both residents and park owners have some responsibilities, but most responsibility falls on the park owner, for example, in regard to the provision of water and sewage. Park owners are permitted to pass the expense of government-mandated repairs on to residents, there are limitations on this and there are some legal cases in Ohio where the residents were paid back the money for the charges that resulted from the repairs⁴.

Some responsibilities do fall onto the park residents. In regards to maintaining their homes, it is up to the park residents to preserve safe and sanitary dwelling, as well as dispose of garbage in a sanitary manner. If the home is rented, then the obligation falls on the park operator.

Ohio law does provide some basic protections to residents of manufactured home parks that are comparable to protections offered to other types of tenants. Before a new resident signs any rental agreement for example, the park operator must notify the resident of the charges and fees for the park. In addition, if the operator decides to change either of these charges, she or he must provide a 30 day notification before any changes occur. A park owner is also not allowed to make any modifications to fees during an annual lease or a rental agreement. In addition, all residents must receive a copy of the park rules before they sign a rental agreement, and the rules cannot be “arbitrary, capricious or unreasonable”. Deciding what rules would be considered “capricious” is generally left up to local courts, so in point of fact park owners and local authorities have a great deal of influence on the rules that govern a resident’s way of life.

⁴ Information regarding Ohio law comes from the Ohio Manufactured/Mobile Home Manual by James Buchanan published by Southeastern Ohio Legal Services.

Conclusion of Ohio Law

Despite some sympathetic laws to the homeowners, it appears that Ohio's residents of manufactured home parks are still very vulnerable. Real estate status is difficult and uncertain to obtain and homeowners still have little say or control over the conditions of the parks in which they live. By subdividing land, park operators can avoid being under the purview of landlord tenant law all together. Later on in the study, this will become evident in the way utilities are operated and other regulation rules in the state. Therefore, it appears that cooperative ownership would be an especially compelling case for homeowners in Ohio seeking greater control over their place of residency.

Regulation

Regulation of manufactured homes, like many other aspects of this industry, is often unclear and very much divided. The characteristics of the home impact the level at which the home is regulated, not to mention which agency. Few if any of these agencies seek to coordinate with one another and generally only work to fulfill their specific obligations in their designated area.

If a manufactured home was built before June 15, 1976, it must by law carry a HUD tag and conform to certain standards. In this case, all construction and safety designs are federally regulated and preempt any local ordinances. Since mobile homes are considered motor vehicles they are not subject to local building regulations. Therefore manufactured homes cannot be restricted based on construction standards, meaning that for homes constructed before 1976, virtually no regulatory framework exists. In Ohio, for example a local municipality has the authority to determine the placement of manufactured homes for safety or "general welfare of the community" reasons but may not because of any construction or safety design standards⁵, unless the homes are classified as real estate, in which case normal local standards would apply. In the end, the Manufactured Home Construction and Safety Standards (MHCSS), the standards that are applied to new manufactured homes, are the effective rules in place for the vast majority of the industry. One of the biggest problems homeowners face is that there little way for the individual homeowner to effectively enforce MHCSS rules. With the local authority effectively out of the picture, if there is a problem with their home, the only legal or enforcement venue for the consumer is through a state agency, U.S Attorney, HUD or dealer who sells

⁶ Ohio Manufactured/Mobile Home manual, p. 16

homes for the manufacturer⁶.

Like many other aspects of the manufactured home industry in Ohio, utilities are also regulated by several different agencies, and even within these agencies there are divisions. The Environmental Protection Agency (EPA) for example has two different divisions that regulate the sewage and water supply for manufactured home parks. Whether or not the EPA even regulates the water system of a park also depends on the type of water supply the manufactured park relies on, as well as its age. The Ohio EPA regulates all public water systems, defined to be systems that have at least 15 service connections or regularly serves 25 or more people at least 60 days per year. However, if a mobile home park is smaller than that or relies on city water and does not have its own system, then the EPA is not involved and jurisdiction falls on the state Department of Health. If a park was formed prior to the 1970's, the Department of Health is also the enforcement agency of record.

The regulatory authority in charge of utilities for mobile home parks is the Public Utilities Commission of Ohio. According to the Ohio Mobile Home Manual, Ohio courts determine which utilities should be provided to customers⁷. However, in regards to individual parks, park owners are ultimately the deciders. Ohio's public utility defines the park operator as the costumer rather than each resident. Each park is able to decide whether or not they will provide the utilities directly or through a public utilities company.

A park owner has the option to purchase all utilities and then resell them to park residents. There are different ways the park operator can operate this meter system, either through a sub meter system or a master meter system. In the case of the first option, a sub meter, each individual resident has their own meter and is then billed by the park operator based on their actual use. However, the most important aspect of utility regulation for this study is master metering. If an operator uses this system, then there will be one meter for the entire park. The residents are then charged by an amount determined by the operator. In the state of Ohio, there is no regulation of master metering.

Licensing of mobile home parks is regulated by an entirely different entity. As of July 1, 2010, The Manufactured Home Commission is in charge of licensing of manufactured homes. The commission consists of nine board members who represent different areas of

⁶ Ohio Manufactured/Mobile Home manual, page 20.

⁷ Ohio Manufactured/Mobile Home manual, page 39.

the manufactured home park sector. In the past, the Commission was only responsible for instillation, but as of July 1st they will now regulate licensing of installers, issuing titles, as well as licensing mobile home dealers. Previously, mobile home dealers were obligated under rules determined by the Motor Vehicle Bureau, but will now be subject to new rules created by the Commission.

Conclusion of Regulation

Although all these individual laws may not apply directly to a cooperative conversion, they are important in providing context regarding the legal environment toward manufactured homes and parks in the state of Ohio. As in many states, the manufactured home industry is very much segmented, creating virtually no tracking system of the mobile home industry as a whole. Individual agencies will focus on their individual piece, but will not address any other aspect of the industry beyond their scope. This was particularly evident during the research phase of this study when different agencies would consistently redirect us to another agency, which would then either cite or redirect us back to the initial source. Other times, a certain agency such as the Department of Health would have the necessary information, but the actual collection of it would depend on each county and there was no statewide data compilation let alone analysis, available.

This highly fragmented regulatory environment certainly indicates a challenging context for the development of a new idea such as resident-owned cooperatives. It is also indicative, however, of a real need for such a mechanism focused solely and directly on the needs of resident homeowners. With such a web of loopholes, any unscrupulous park owner has an opening to take advantage of park residents with little, if any, regulatory scrutiny. Forming a resident-owned cooperative would be one way for home owners to ensure, for example, that their utilities were being fairly metered and that the park rules governing their lives were fair, necessary and consistently applied. A cooperative would also provide residents with an opportunity to work together to tackle issues of home ownership financing and home quality and improvements.

Characteristics of Manufactured Home Parks in Ohio

Several characteristics are key in determining the financial feasibility of a manufactured home park conversion process. These include:

- **Location** – parks within easy driving distance of our Center will be more attractive conversion prospects and could receive more regular technical assistance; in addition, parks located in areas of high unemployment or other distress would present more challenging prospects for conversion because of the relative financial vulnerability of the typical manufactured home park resident.
- **Size** - -while any size park can make an effective cooperative, raising the debt funds necessary for multi-million dollar transactions needed for very large parks is significantly more difficult; on the other hand, very small parks (fewer than a dozen units) also present challenges of governance and capacity, with so few households to do all the work.
- **Cost per pad** – A park for sale must have a low enough cost per pad as to make the financing of that pad affordable to a low-income resident under available financing terms.
- **Vacancy rates** – parks with high vacancy rates represent much riskier prospects for cooperative conversion.
- **Owner occupancy rates** – without a doubt, a cooperative park conversion is easier if the park has a high degree of owner-occupied homes as opposed to homes that are rented from the park owner or other third party.
- **Stability** – parks with a high number of long-term residents make far better prospects for cooperative conversion.
- **Average rents** – existing rents must be at least high enough to provide for basic debt service or else residents will face a steep increase in housing expenses when the park converts to cooperative ownership; while it is not impossible that residents would be willing to pay more for the possibility of self-determination, in reality the prospect of a significant cost increase would limit the attractiveness and viability of the cooperative option for many residents.
- **Operating expenses** --- operating expenses (such as utilities, trash, taxes, and maintenance) represent the other significant source of monthly costs for the co-op in addition to financing costs. Accurate records of such expenses are sometimes difficult to secure from private owners, but they are important to estimate as accurately as possible for a successful cooperative conversion.
- **Infrastructure conditions** – While certain observations can be made from

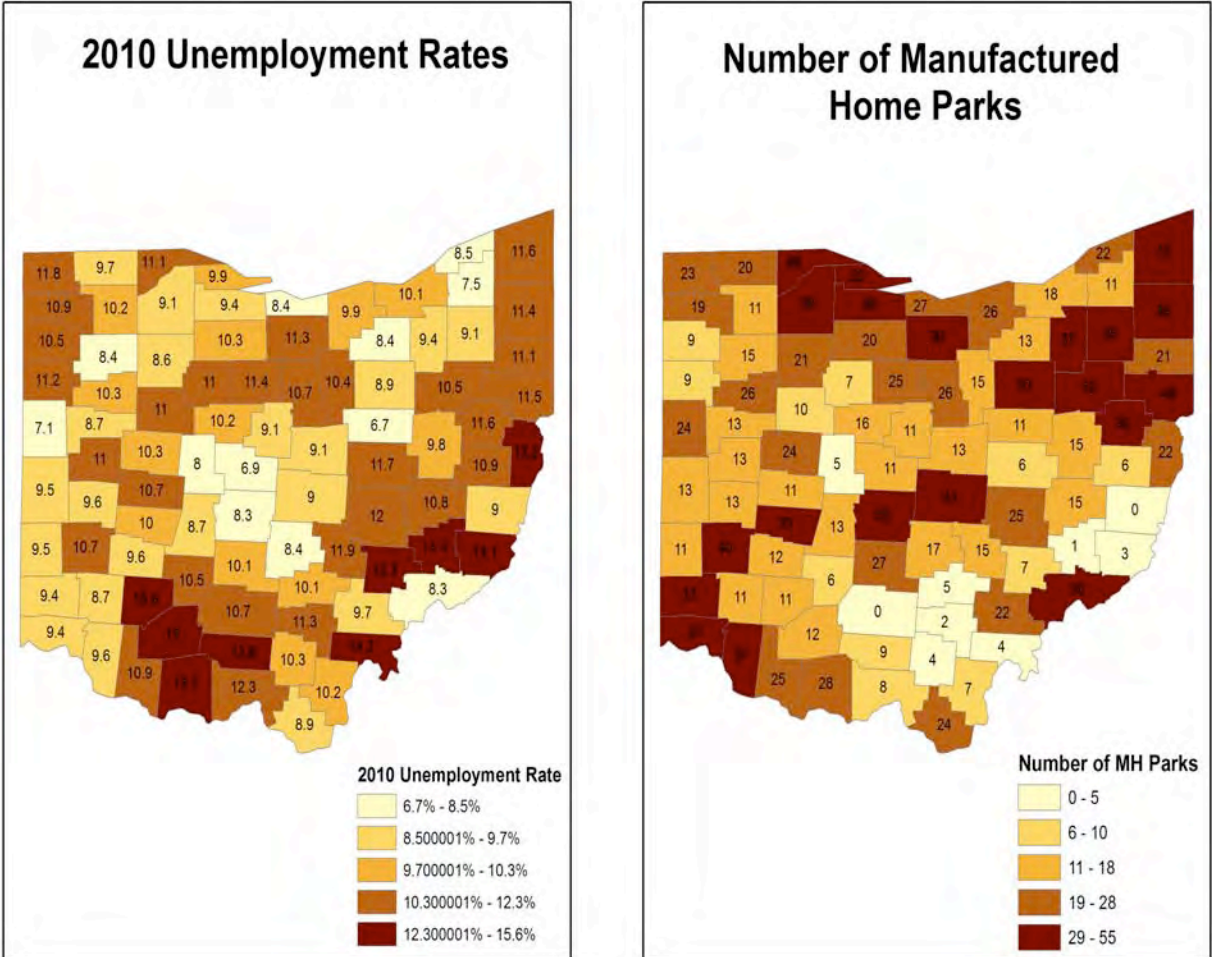
“windshield” assessment, in general this crucial point of information must be determined with the assistance of a professional examination of the particular park in question.

Location:

The Ohio Department of Health maintains a list of all of the manufactured home parks in the state of Ohio. While little information beyond location is available from the list, it does allow a comparison to other variables such as unemployment rates or income distributions around the state. If mobile homes are clustered in counties with higher unemployment or other distress factors then this could present more obstacles. One of the important aspects in concluding a reasonable environment for conversions is whether or not the residents can leverage such a buyout. If there is a higher chance the residents are unemployed, then it could prove to be a challenging endeavor.

The chart on the right below shows the location of manufactured home parks in the state of Ohio, while the chart on the right shows unemployment rates by county from a data set provided by the Ohio Department of Children and Families.

A Visual Comparison of Unemployment and Manufactured Home Parks in Ohio



As can be seen, while manufactured home parks are scattered throughout the state, there is a significant concentration of parks in the Northeast Ohio region, indicating ours to be a good place to launch this program.

There also does not appear to be any significant correlation between unemployment – as a sample variable to proxy for general economic distress – and the concentration of manufactured home parks. Unemployment is high across the state of Ohio, but does not appear to be particularly concentrated in the same counties as manufactured home parks. The chart below confirms this visual conclusion :

Chart of Correlations

Correlations

		MHHomes	Unemployment
MHHomes	Pearson Correlation	1	-.174
	Sig. (2-tailed)		.105
	N	88	88
Unemployment	Pearson Correlation	-.174	1
	Sig. (2-tailed)	.105	
	N	88	88

As the chart indicates, the correlation is -.175, nowhere near the .05 threshold to indicate a significant relationship.

Size and Cost per pad:

Public records provide very little information beyond location, but more information was obtained through sales data from recent park transactions and by phone interviews. We randomly selected a data set of 15 recent sales in the Northeast Ohio counties of Ashtabula, Carroll and Columbiana and supplemented publicly available data with phone interviews with various informants. Those surveyed included, zoning offices (most were city offices in the county), County Departments of Health, the water and sewage divisions of the Northeast Ohio EPA regional office and park owners themselves.

The table below provides a summary of the information gathered:

Sales were identified using three different online real estate sale services: Loop.net, Birchreality, and The Mobilehome Park Sales. All the park postings that are included in this sample fall between early to late June of this year. The size of the parks in our sample varied from 12 to 124 with an average size of 65 and median of 66, a fine size for a manufactured home park cooperative. Average cost per pad showed substantial variation from a low of \$10,500 to a high of over \$21,000. Average and median cost were

\$16,400 and \$14,850 respectively however, well within a reasonable range for resident purchase. While many variables play into the ultimate cost of a manufactured home park conversion, parks with per pad prices of over \$20,000 become difficult to finance due to the high cost per resident. At a median of under \$15,000 however, the cost to purchase such a park at an average commercial rate of 7.0% and term of 20 years is \$115 per month per resident in mortgage payments, a reasonably accessible figure. With 30 year financing, this figure drops below \$100. In the event of a real park conversion, the cost of financing any improvements would of course be added to this amount, as well annual operating expenses and reserve funds to yield a final monthly cost to co-op owners. While a myriad of details influence the feasibility of the conversion of any one particular park, our small survey indicates that both in terms of size and price, there are likely candidates for manufactured home park conversions in Northeast Ohio.

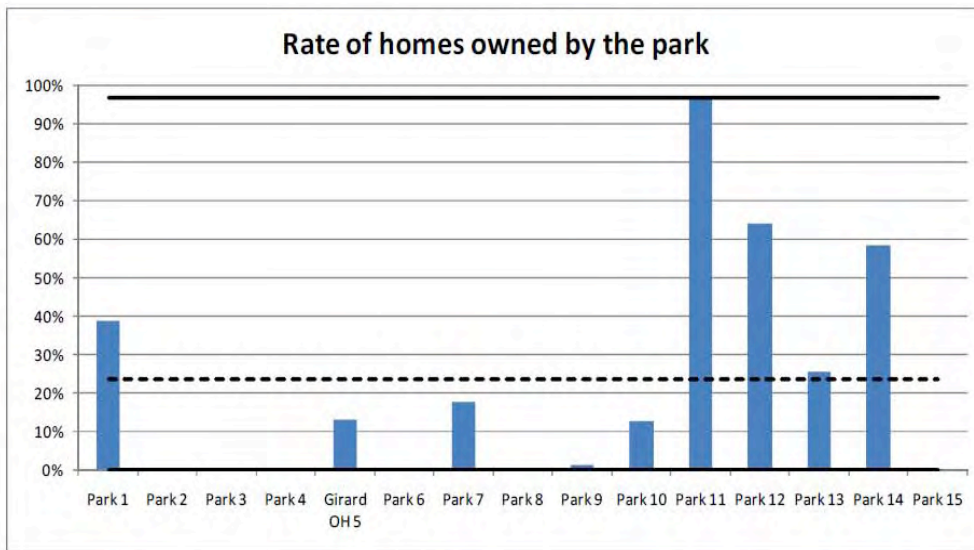
<i>Park</i>	<i>Cost (k\$)</i>	<i>Cap Rate</i>	<i>lots</i>	<i># of homes owned by the park</i>	<i>total occupancy</i>	<i>City water</i>	<i>Cost Per Pad</i>
Park 1	2 500	11.6%	103	40 +	80%	No	\$24,272
Park 2	990	11.9%	66	0	88%	No (purchased ground water)	\$15,000
Park 3	2 700	9.3%	124	Not available	98%	yes	\$21,774
Park 4	2 050	9.1%	117	0	84%	yes	\$17,521
Park 5	325	N/A	31	4	31%	N/A	\$10,848
Park 6	490	9.7%	33	0	97%	yes	\$14,848
Park 7	975	7.9%	45	8	71%	no	\$21,667
Park 8	185	9.6%	13	Not available	85%	N/A	\$14,154
Park 9	1 450	12.7%	75	1	90%	yes	\$19,333
Park 10	575	12%	32	4	98%	yes	\$17,969
Park 11	860	12.2%	58	56	95%	yes	\$14,828
Park 12	1 400	12%	111	71	92%	yes	\$12,613
Park 13	1 250	12.4%	86	22	85%	no	\$14,535

Park 14	175	12.8%	12	7	95%	no	\$14,583
Park 15	850	10.6%	68	0	91%	yes	\$12,500

Vacancy and Owner Occupancy Rates:

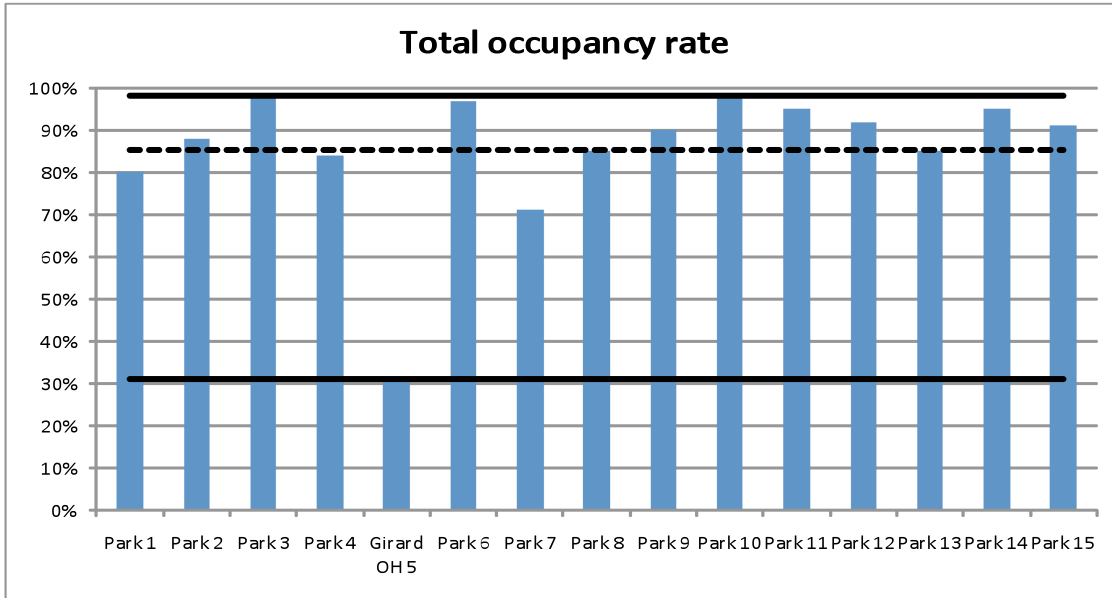
The charts below illustrate the rates of resident home ownership as well as vacancy rates for the parks included in our survey, with the dotted line indicating an average.

Owner-occupied housing is desirable for park conversions because it indicates a higher degree of stability and commitment to a community than does rental housing. It also may (although not necessarily) indicate a higher grade of housing, as park-owned homes are often of the lowest quality. In our survey sample, rates of owner-occupied housing varied dramatically from 100% to only 3%. In our small sample, five of fifteen or one-third of the total has owner-occupied housing rates below 80%, indicative of poor candidates for conversion.



The following chart indicates occupancy rates for the parks in our sample, which in general were quite high. Average occupancy was 85% and median 90% indicating an

essentially healthy market for manufactured housing. While occupancy rates of 95% or higher would be most desirable for a park conversion, manufactured home parks often have higher vacancy rates than the general rental market and the important variable is whether the conversion can be effectively financed with the current base of residents in place.



Rents and Operating Expenses:

In general, data on individual pad rents and operating expenses are not available to the general public. The above chart does give us some indication of these measures however, through the published capitalization rates of each sale. The capitalization rate (or cap rate) is a measure of the income-producing potential of a piece of investment real estate. It is also, to some degree, a measure of the property “grade.”, with lower cap rates typical of higher quality (or at least higher priced) properties. Net operating income divided by price yields a cap rate indicative of how long an investor will have to hold a property, at current performance, in order to make the cost of the property back in profit. A cap rate of 10% indicates that it takes 10 years (10 x 10%) to make back the initial investment, while cap rate of 12% indicates it would take only 8.33 years.

The average cap rate for our sample sale properties was 11 with a median of 11.75, indicating relative affordability. Another thing that cap rate can allow is a somewhat

crude calculation of average revenue, or profit, per pad. While this figure does not yield the actual rent paid per pad, it does indicate the degree to which residents are accustomed to paying an amount that is in excess of the actual operating expenses of the park. In many manufactured home park conversions, a park is purchased from an owner who has held the property for many years and has no debt outstanding on it. When the resident cooperative purchases the park, residents have no need of “profit” beyond prudent reserve funds, but they do have to charge an amount that will accommodate the cost of financing of the purchase and any necessary improvements. Thus it is the somewhat counterintuitive reality that it is the parks that are the most profitable that often make the best conversion candidates because existing rents are high enough for the average net revenue to instead be used for financing expenses rather than profit without significantly increasing the average amount paid per resident.

Cap rates are calculated on net operating income from all sources, not just rents. In addition to rental homes, many parks owners have additional revenue streams through charging for laundry facilities, rental of storage sheds etc. It is impossible to discern such variations through the available data, but to get a rough indication of funds available for debt service, we used the cap rates on each park to infer an average “profit” per pad in the parks in our sample. The average figure was \$143, while the median was \$149. This figure is within reach of a park with a median estimated financing expense per pad of \$98 (our 30 year loan example), leaving room for a small monthly allocation for the accumulation of reserve funds and additional transaction and improvement expenses. Less beneficial financing terms might call for an increase in monthly assessments for a cooperative conversion to be successful, depending on the need for park improvements and cost of the transaction.

It should be clear that we are only talking about median and averages based upon a small sample size—we have no indication that any one of these parks would have been a feasible conversion prospect in itself. But we do know that they were all recent sales, located in our target market of northeast Ohio. What we have are preliminary indications that, based upon the recent sales data that we were able to obtain, average revenue and expense figures do not preclude the possibility of residents being a financially viable purchaser of manufactured home parks in Ohio.

Stability and Infrastructure:

We were not able to draw any conclusions about either resident stability or infrastructure quality from the sale data sample we had.

Conditions in Northeast Ohio:

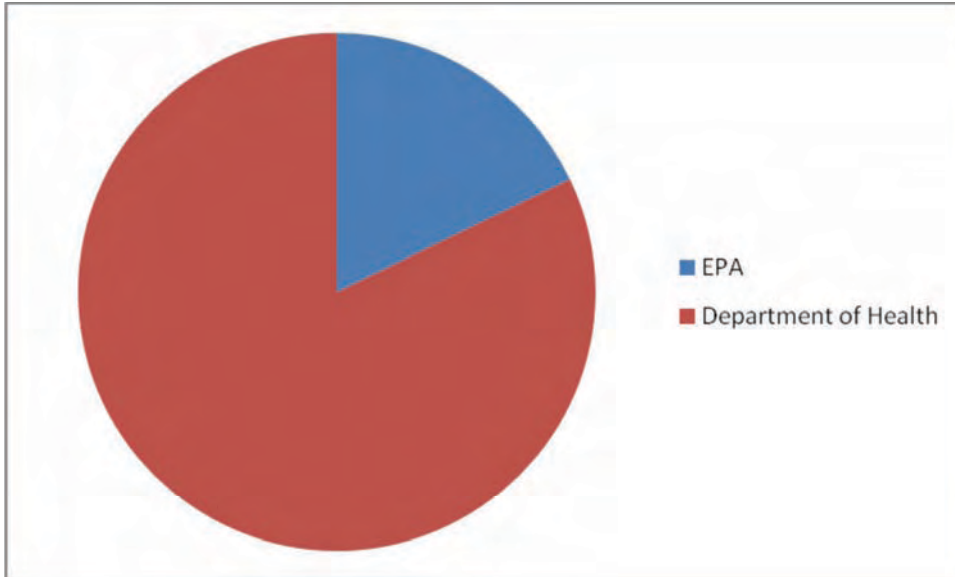
Individual Counties: Ashtabula, Columbiana and Carroll

Given the very incomplete information available about the manufactured home park sector in Ohio, we supplemented our data with a small study of manufactured home parks in three northeastern Ohio counties, Ashtabula, Carroll County, and Columbiana County. A series of phone surveys were conducted of various players involved in the sector including zoning offices, County Departments of Health, park operators, and the water and sewage divisions of the Northeast Ohio EPA regional office.

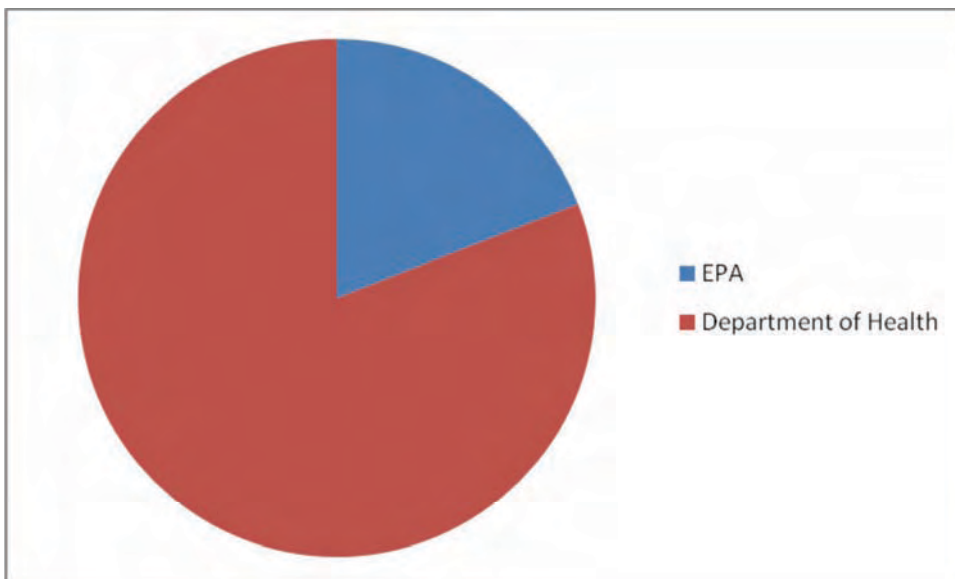
Water and Sewage

The existence of municipal utility services like city water and sewer is another important factor for cooperative conversions. While not a direct factor in conversions (many co-op parks exist in other states which are served by well water and “on site” sewage) the existence of such non-conforming utilities is an indicator certainly of age and sometimes of lack of ongoing maintenance and investment. When a park changes hands, some local jurisdictions will require that a park be hooked up to municipal utilities as a requirement of any local assistance. While this is often beneficial for residents, it also adds expense and complexity to a conversion process. In addition, parks that lack investment in utility infrastructure often lack investment in other areas as well. Thus, all things being equal, it is helpful if co-op parks are already hooked up to city water and sewer to begin with.

The EPA regulates the drinking water and sewage systems in Ohio for parks that rely on well water or “on site” sewage instead of municipal services. According to the Ohio Department of Health’s list, there are 476 parks in the Northeast Ohio region, and The EPA document indicates that 85 of those parks have onsite systems with permits. Given the data, it seems about 18% of parks have onsite systems, indicative of potentially antiquated infrastructure.



The Environmental Protection Agency also tracks all entities in Ohio that are not hooked up to city water. EPA-monitored parks have listings under these categories: purchased ground water, ground water, purchased surface water, or surface water. If they are not the EPA list, then the park does not fall under the EPA jurisdiction and is most likely operating off of city water with no on site system. After reviewing this list and comparing it to the Department of Health document, which includes all the mobile home parks in the state, Northeast Ohio there appears to have 476 parks with 91, or 19% of the total, relying on surface or ground water instead of municipal utilities.



Local Zoning

Local zoning ordinances are another factor that can significantly affect manufactured home parks cooperative conversions. Some newer zoning laws make it difficult for parks new parks to start or expand and virtually all notification or compensation in the case of a pending park closing would be governed by local statute. This is an important factor because many cooperative conversions are spurred by a move on the part of the current owner to sell the park and/or convert the property to a different use. Notification ordinances assist in the conversion process by notifying residents of a potential change in ownership so that they might potentially make an offer themselves.

In all three counties, the city zoning offices were fairly similar in how they regarded mobile home parks in their areas. All three required that a park owner obtain a conditional use permit from the city in order to develop a new park. None of them forbid the conversion or development of a new manufactured home park. Existing parks build before the adoption of zoning statutes are considered zoned for mobile home parks because of “existing use”. Anyone wanting to purchase a park and convert it to another use would be required to apply for a zoning change permit and go through a three-step process including review and approval from the city’s planning committee, the local zoning commission, and a hearing from the township. Ashtabula and Columbiana counties make it mandatory for the township to notify the residents before a zoning change. In the case of Ashtabula, the city must notify the residents 20 to 40 days after the application for zoning change was first submitted. For the city office located in Columbiana County, it was 20 days after the first hearing. Carroll County does not require the Township or the park operator to notify the residents at all. Their only notification process was a resident reading about the zoning change in their local newspaper or hearing about it from the local news station.

County Department of Health regulation

County Health Departments are required to inspect the exterior (although not interior) conditions of manufactured home park homes in Ohio. By state law, all departments have to inspect the parks at least once a year. In some cases, such as Ashtabula County, one of their city health departments inspects the parks twice a year. All three departments cited the same items as being important to the inspection process; making sure there is no water leaks in the parks, rodent infestation, site space requirements, and the amount of solid waste build up. All three counties did not have a set time frame for park owners to

remedy the violations; instead they all agreed it depended on the severity of the violation. In some cases, if it was very minor, then the park had until the next year’s inspection to make the necessary changes. If the park operator fails to correct the violation, then they are brought to court and face charges. None of the employees in the Ohio Department of Health we spoke with remember ever encountering a case that resulted in prosecution, although in Columbiana County there is a case currently pending.

Besides each department’s criteria and frequency of park inspection, there are major differences from county to county. Ashtabula County, for example, has a very decentralized system where each individual city is in charge of inspections. On the other hand, Columbiana County did inspections for all the Townships over which they had jurisdiction, and that was all but two cities. The inspection of interior of the home also varied. In the case of Ashtabula, because the burden fell mostly on the cities, the housing department inspected the interior of an occupied home, if the city had a housing department. In some areas, they simply regarded it as being entirely the homeowners’ responsibility; in less the department of Health receives a complaint.

Park Owners

Despite the varied sources of public data available, very little information is actually available publicly about particular parks. To augment our study, we attempted to contact the owners of a representative sample of all of the manufactured home parks in Ashtabula, Columbiana and Carroll counties.

Contact information was difficult to find, and in many cases available numbers were disconnected or owners could not be reached. However, we were able to put together the following chart of information:

Tables of Park Operator Surveys in Ashtabula County, Columbiana County and Carroll County

Ashtabula County	Number of Lots	Number of Vacancies	City water	Sewer	Average Rent (\$)	Homes owned by the park	Parks Individually owned or partnerships
Park 1	85	N/A	Yes	Yes	N/A	N/A	No

Park 2	95	N/A	Yes	Yes	280	0	Yes
Park 3	184	22	Yes	Yes	279	12	No
* A)Park4 Ashtabula	200	0	Yes	Yes	279	10 (Total)	Yes
* (B)Park 4	200	50	Yes	Yes	279	10 Total	Yes
Park 5	153	28	Yes	Yes	N/A	10	Yes

*Two locations: Each location has around 200 lots and the corporation owns 10 total.

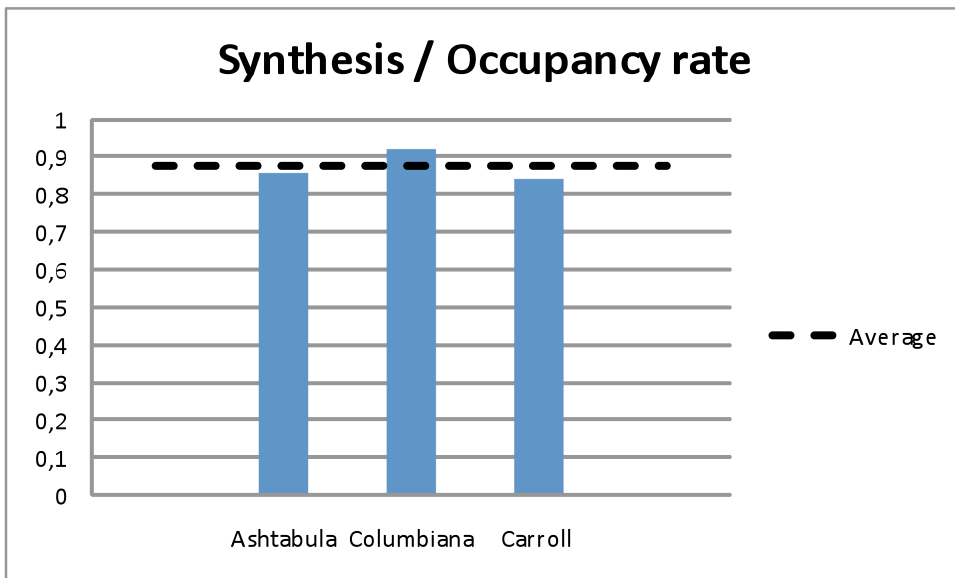
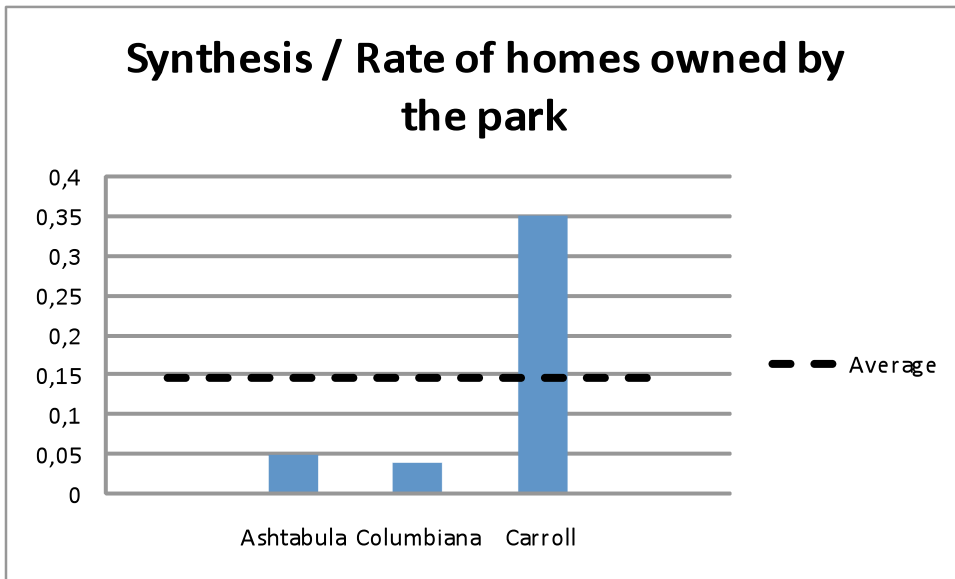
Columbiana County	Number of lots	Number of Vacancies	City Water	Sewer	Average rent (\$)	Homes Owned by the park	Parks Individually owned or partnerships
Park 1	110	11	yes	yes	253	“very few”	No
Park 2	117	5 to 6	yes	yes	250	1	No
Park 3	32	6	yes	yes	200	0	Yes
Park 4	50	1	yes	yes	210	N/A	Yes
Park 5	81	7	no	no	220	0	Yes
Park 6	89	3	yes	yes	263	N/A	Yes
Park 7	42	23	yes	yes	225	7	Yes

Carroll County	Number of Lots	Number of Vacancies	City water	Sewer	Average Rent (\$)	Homes owned By Park	Parks Individually owned or partnerships
Park 1	385	82	yes	yes	362	42	Yes
Park 2	100	10	no	no	250	35	No

Although not all the parks responded to every question on the survey, some important trends emerged. Perhaps the most notable are responses to the water and sewage systems, as well as the ownership of the homes. Of the parks surveyed, 86% are hooked up to City and Sewage water. As far as the ownership status, most of the parks only own a few homes and the rest are resident owned. The largest number of park owned homes is park two in Carroll County, which still less than half the homes in the park. This is important

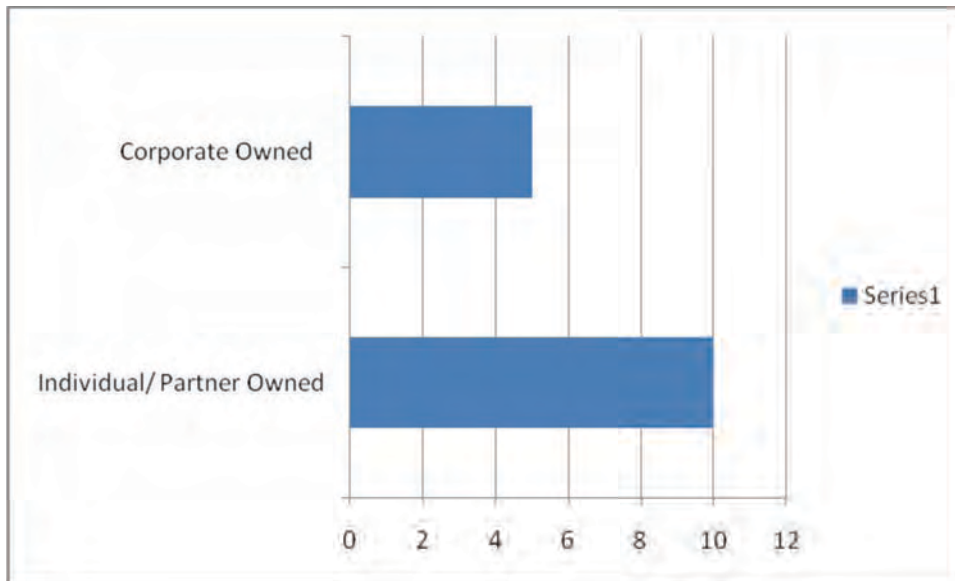
not only for residents, since many rental agreements and other tenant laws only apply to homeowners, but also because a park conversion is much easier if the park residents own the home. This way they avoid worrying about vacant lots during the park purchase.

Graphs of Combined Averages of Occupancy Rate and Park Owner Homeownership:



Another key emerging trend is the ownership status of the parks themselves. If one refers to the table of surveyed parks, it is evident that the majority of the communities are owned by individuals or partnerships rather than corporations or multiple investors.

Combined Ownership of Parks



Of the 15 parks, 33% (or 5 of the 15 parks) are owned by corporations or multiple investors. This means 67% of our sample is owned by either an individual or a partnership. From the standpoint of determining the feasibility of a conversion, it is a positive indication that more than half the parks are not owned by corporations. A park buy out is a two way street. Not only do residents need to be able and willing to participate in the conversion, but it is imperative that a park owner (s) agree to the transaction as well. If residents are only dealing with one park owner, it is much easier than tracking down multiple shareholders, board of directors and numerous owners to all agree with the residents' buy out. If there is a single owner, chances are she or he will be more familiar with the residents of the park. If the relationship between the two parties is cordial, then this is another ideal contributor to a conversion.

While our survey was of course quite limited, the data does appear to conform to the statewide sales data cited earlier in suggesting that there is at least the potential for good conversion candidates. Despite the limitations that result from some of the state laws and the fragmented regulation, the fact that many parks in our market of northeast Ohio are operating on city water, have low vacancy rates and have a large majority of residents

who own their own homes all indicate grounds for some optimism for successful conversions.

Elements of a Successful Conversion Processes

Perhaps the biggest advantage for the Center in contemplating a move in the world of manufactured home park cooperative conversions is the various allies who are also interested in and working towards developing manufactured home cooperatives in Ohio. The Ohio Poverty Law Center, for example, held a mobile home training this past May that included a segment on Mobile Home Cooperatives. This session was intended to educate Ohio lawyers about the cooperative opinion, hopefully creating lots of capable individuals in the state who could provide legal services if a conversion opportunity emerges.

During that session, The OEOC staff also met another lawyer from Advocates for Basic Legal Equality (ABLE) who've been working on cooperative conversions with parks in Toledo. Both the Ohio Poverty Law Center and ABLE are willing to assist The OEOC in this potential endeavor, and provided significant assistance in this study by providing information on law and policy effecting mobile homes in the state and directing us to other important contacts in the industry.

Another important ally would be the nonprofit organization, PathStone. Based upon the successful New Hampshire model, several years ago NHCLF joined with several national affordable housing nonprofits to form ROC USA to expand the idea of resident-owned communities (ROCs) nationwide. Several nonprofit housing organizations from across the country were trained in the ROC approach to cooperative organizing and financing, including PathStone based in Rochester, NY. PathStone has been working in the states of New York, Pennsylvania and Ohio to try and locate manufactured home parks that might make appropriate candidates for conversion. Not only does PathStone have funding for cooperative conversions in Ohio, but they also have the expertise for these time intensive ventures. PathStone is trained to provide technical assistance, feasibility studies of parks, developing a multi-year budget, financing for loans and environmental assessments of parks. Even after the conversion, PathStone assists with developing the governance of the cooperative board and continues providing financial expertise.

Where PathStone falls short is the organization's lack of full time staff in the state of

Ohio. This, however, creates an opportunity for The OEOC and PathStone to form a partnership. Currently, the Center is having initial discussions about the OEOC providing services for PathStone that are difficult to deliver because of their “off site” location. For example, the Center could replicate its current Session Planning Program for business and adapt it for manufactured home parks. The Center could talk to residents and owners about the cooperative option and provide preliminary technical assistance if requested. Both ABLE and the Ohio Poverty Law Center can provide potential forums for education and sessions planning with Resident Ownership, similar to the session Ohio Poverty Law Center carried out in May. They can also provide referrals for lawyers when parks need more in depth legal assistance.

Finally, since the initial stages of the study, the Center has been in regular contact with the resident’s organization, Association of Manufactured Home Residents in Ohio (AHMRO). They have indicated their interest in the co-op option and can provide a helpful source for identifying potential and interested parks.

The other probable link involves the governance training program. The Center is currently working with the Evergreen Cooperative Laundry in Cleveland training co-op members on appropriate governance roles. In addition, the Center has and continues to work with employee owned companies to develop a democratic workplace through worker participation. Some of the skills developed from these assignments can certainly be utilized for governance training with manufactured home park cooperatives. Although PathStone staff are also trained to do this work, the Center has relevant expertise and is conveniently located in the state of Ohio, making it an appealing collaboration.

Potential and Changes in Ohio Law

Another factor affecting the feasibility of this work is the fact that the law and regulatory environment outlined above may undergo major shifts within the next year. In February, Bill 186 was passed by the house and at this writing (September 2010) still needs to be reviewed by the state senate . The bill, which is being sponsored by Representatives Michael Foley, will modify the laws regulating and governing manufactured homes and some of the potential changes should be noted here.

The largest adjustment to the manufactured home industry will result from the transfer of regulatory authority from the Department of Health to the Manufactured Home Commission (MCH). The Commission’s jurisdiction includes all that was once held by

the Department of Health, with exception of enforcing and monitoring plumbing, sewage treatment, and building codes. Otherwise, The Commission is responsible for everything from inspecting installations, licensing, enforcing manufactured home park law to issuing permits.

In addition to significantly altering the regulatory framework, The Bill does have a notification clause that would require a park owner to provide a written notification for the residents 30 days after a foreclosure action is filed with the courts. The seller must also provide a written announcement to the Manufactured Home Commission 10 days after the initial filing. Although notification is important, it should be pointed out that this is a very weak notification clause. In states like New Hampshire, they not only require notification but also have what amounts to a “right to first refusal option” for the park residents. This way, residents have the option to purchase their community even before it reaches the market.

The other aspect that might be favorable for the purpose of this study is the fact that the bill requires the Manufactured Home Commission to create a list of organizations that either have an interest in park sales or help finance parks. Ten days after a park is offered for sale, the seller must notify the parties on this list. Although it is still not clear how the MHC will select the organizations, this provides an avenue for organizations like PathStone and the OEOC to become members of that file.

Perhaps the portion of the bill that has the most potential to support cooperatives is the clause that obligates park owners to take continuing education programs created by the Commission. Although most of the programs are suppose to fulfill the licensing renewal program, the commission will be obligated to design the classes with the “consultation” of the Association of Manufactured Home Park Residents, which is the resident’s organization assisting the Center with this study. Again, this could provide a great forum for The OEOC to educate park owners on succession planning and the cooperative option.

This new regulatory framework in not universally applauded however. Resident and tenant advocates worry that if the bill passes, too much authority will be held by the Manufactured Home Commission. Although this may solve some of the problem of Ohio’s “piecemeal” regulatory system, the opponents argue that the organization that licenses the inspections (hence collects the fees from licensing) should not also issue permits, inspect the homes and enforce mobile home park law. They also voice concern that five of the nine commissioners are representatives from the manufactured home industry, and are therefore installers, manufactures, or park operators. If in fact the board

becomes unfairly tipped towards the side of industry, then this could possibly hamper the opportunity of manufactured home park cooperatives in Ohio.

III. CONCLUSION

There are numerous manufactured home communities in Ohio and many more residents who reside in those parks. Although many residents own their homes, until they own the land underneath their homes their decision making clout is limited. The degree of authority held by park owners ranges from determining the use and pricing of utilities to whether or not the park will continue to exist or be sold for a more profitable use. This situation often leaves residents powerless to make vital decisions about their living conditions. The ability for residents to cooperatively own their communities eliminates this paralyzing ownership scenario.

Despite the reality of this situation, The Ohio Employee Ownership Center can only participate in manufactured home park conversions if certain conditions make the mobile home industry ripe for the possibility of cooperative conversions. Given the fractured and incomplete data available, however, it is difficult to draw that definitive conclusion about the prospects for manufactured home park cooperatives in Northeast Ohio. From the data we can access, however, it appears that there are a relatively large number of parks in Northeast Ohio, and that the majority exhibit characteristics that are associated with successful conversions, namely:

- they are held by individual park owners rather than corporate owners;
- they are of an appropriate size (not too big and not too small);
- they are currently hooked up to municipal sewer and water;
- they have a high proportion of owner-occupied housing and
- They typically have a manageable vacancy rate.

Not all parks exhibit these characteristics of course, but it appears likely that many in our market area of Northeast Ohio do.

Another positive finding of our study is the number of potential partners, legal and otherwise, already active in the state and already educated about and committed to

helping residents to pursue the cooperative option. This is an important factor because manufactured home park conversions are difficult transactions to begin with, and all the more so if we had to go it alone. The ability to collaborate with a national network like the ROC USA network of likeminded organizations is also important support factor, as is the existence of an active statewide association of manufactured home park residents.

Finding the right candidates for cooperative conversions is always a challenge; finding a group of residents and an owner willing to do the first such transaction in Ohio will be even more so. However, given the positive market indications of this initial study as well as the overwhelmingly positive difference that cooperative ownership can make for park residents, our conclusion is that this is work that we will continue to pursue.