



Housing Alliance  
of Pennsylvania

Testimony on HB 1201  
by the Housing Alliance of Pennsylvania

House Urban Affairs Committee  
December 3, 2009

Good morning. My name is Cindy Daley, and I am the Policy Director at the Housing Alliance of Pennsylvania. The mission of The Housing Alliance of Pennsylvania is to provide statewide leadership and a common voice for policies, practices and resources to ensure that all Pennsylvanians, especially those with low incomes, have access to safe, decent, affordable and accessible homes. We also advocate for new tools to help communities address blight. The Housing Alliance is a statewide organization made up of housing developers, both nonprofit and for profit, local government officials, bankers, lawyers, and community residents all committed to advancing and enacting common sense solutions to the pressing housing problems facing our rural, urban and suburban communities.

Across Pennsylvania, there is a shortage of quality, affordable homes. In a state as diverse as ours, the reasons for this shortage vary. In some parts of the state, prices have far outpaced wages. In other parts where values remain relatively low, the condition of the homes is often poor. In every county there is a shortage of rental homes affordable and available to extremely low income households. According to the 2008 American Community Survey, 53% of Pennsylvania's renters pay more than 30% of their income for housing, up from 47% in 2007 and 36% in 2000.

In its report, *Affordable Housing in Rural Pennsylvania*, The Center for Rural Pennsylvania found that, "There is a shortage of affordable housing in all rural counties ...."<sup>1</sup> A half a million Pennsylvanians have sought an answer to the affordability crisis by purchasing manufactured homes.<sup>2</sup> 11% of the housing stock in rural Pennsylvania is manufactured housing.<sup>3</sup> In 15 rural counties, manufactured housing constitutes 15% or more of the housing stock.<sup>4</sup>

According to a 2009 report by the Center, *An Examination of Mobile Homes in Rural Pennsylvania*, the average price of a single-wide manufactured home was

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<sup>1</sup> *Affordable Housing in Rural Pennsylvania*, The Center for Rural Pennsylvania, 2006, p. 4.

<sup>2</sup> *From a Factory Near You, Pennsylvania's Manufactured Homes*, Housing Alliance of Pennsylvania, 2003, p. 1.

<sup>3</sup> *An Examination of Mobile Homes in Rural Pennsylvania*, The Center for Rural Pennsylvania, 2009, p. 8.

<sup>4</sup> *From a Factory Near You*, p. 3.

\$38,900 in 2005, and a double-wide was \$63,600; both substantially lower than stick build houses. However, comparing the purchase price of a manufactured home to stick built homes can be misleading. First, because of different types of financing, the monthly payments for manufactured housing are often higher than for similarly priced traditional homes. Second, the cost of land, whether owned by the homeowner or rented, must be factored in. Even so, for the roughly one-half of manufactured housing homeowners who own their own land<sup>5</sup>, these homes can be a good choice.

However, my comments today are mainly focused on those who rent lots in one of the 1,800 manufactured housing communities in Pennsylvania.

People who purchase manufactured homes see themselves as homeowners. Yet, those who live in manufactured housing communities generally do not reap the benefits of homeownership and sometimes end up in a worse position than a family renting an apartment. As noted above, financing is the first difference. Manufactured homes are not considered real estate and so purchasers can not avail themselves of traditional mortgages. Instead, purchasers borrow at higher rates and on less favorable terms.

Similarly, home improvement loans are not available to manufactured housing owners. While most Pennsylvanians' homes appreciate in value, many homes in manufactured housing communities depreciate as the owners find it difficult to repair or improve them. To address this problem, we urge the state to consider funding for the repair of manufactured housing, perhaps through a state housing trust fund such as would be created under HB 60.

Residents of manufactured housing communities are something of a hybrid - both homeowner and renter. Their relationship with the community owner is governed by landlord tenant law. But because these tenants own their homes, the General Assembly gave them special protections under the Mobile Home Park Rights Act (MHPRA). A community resident's land lease can not be terminated as easily as can a standard lease.

Nevertheless, just like traditional tenants, manufacture housing community residents are still vulnerable to forced moves. When a community owner decides to close the community, residents can be evicted. Minimal notice is required under the Landlord and Tenant Act. When this happens, not only must the family move, but they must also move their home. When the home is too old to move or the family can not find a lot to rent, the family may end up abandoning the home. To address this situation we ask the General Assembly to strengthen the MHPRA to (1) give adequate notice of a community closure to residents and prospective residents, and (2) grant the residents an opportunity to collectively purchase the community before it is sold to someone else or closed.

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<sup>5</sup> *An Examination of Mobile Homes in Rural Pennsylvania*, p. 14.

Because of the complexity of this hybrid status as homeowner/renter, we support efforts to educate consumers both before they purchase homes and before they move into manufactured housing communities. HB 1201 is a step in the right direction, but a more comprehensive approach is needed to address the many issues involved. In addition to the problems of financing and community closures noted above, we also recommend requiring written leases with a minimum duration of at least a year. A written one year lease would provide more clarity as to the rights and obligations of both the community owner and the homeowner, and provide some stability, at least on a yearly basis. Longer term leases will allow residents to budget more effectively and avoid frequent rent increases.

With the caveat that most of the issues I have raised today are not addressed by HB 1201, the Housing Alliance does support the bill in concept. We do, however, suggest some changes to the bill.

1. While amending the MHPRA, it would be appropriate to change all references to "mobile homes" to the currently used term, "manufactured housing."
2. On page 2, lines 17 - 21, there is a definition of "mobile home subdivision". This term does not appear anywhere else in the bill and should be deleted. Moreover, the term seems out of place in the MHPRA since it refers to lots owned by the homeowner, and the Act specifically covers only rented space in communities of three or more lots.
3. On page 4 begins the discussion of the required disclosure. Section (a) states that the community owner must file a prospectus with the Attorney General. It does not state how often this needs to be done. Is it a one-time filing? Does it need to be updated annually since much of the information contained in it refers to fees and expenses as of the preceding year? Since new homeowners may move into the community each year, it would seem that the prospectus will need to be updated, although that does not necessarily mean it needs to be approved by the Attorney General each year.

The frequency of filing will also impact the filing fees paid under section (c). If this is a one-time fee, then the difference in fees for older communities and newer ones is not so significant. If the fees are annual, the differences are great. For example, an established community with 250 lots would pay a filing fee of \$300, while a new community of the same size would pay \$2,500.

Also related to filing fees, I note that since only communities of 20 lots or more are required to file a prospectus with the Attorney General, the minimum fee set forth in line 19 should be \$200, not \$100.

4. Regarding the contents of the prospectus, beginning on page 5 of the bill, we suggest rewriting the mandatory statement in language more easily understood by average

consumers. We are happy to work with staff to accomplish this as well as other suggested changes.

5. On page 5, (8) requires information about utilities provided. We suggest adding information about which utilities the homeowner may contract for independently of the community owner.

6. One item that is not currently required in the prospectus but which we believe needs to be included is information regarding any citations from governmental agencies, any actions required to be taken, and plans to correct the problems. This would include, for example, citations from the Department of Environmental Protection regarding water and sewer concerns, not an uncommon issue.

7. Section 2.3 beginning at the bottom of page 9 requires a written notification when no prospectus is provided. However, there is no explanation of why a prospectus is not provided or when a written notification is an acceptable substitute. Does this section apply to communities of fewer than 20 lots? It should be made clear that where a prospectus is required under section 2.1, it may not be supplanted by a written notification.

8. Section 2.4 on page 11 provides a very important enforcement provision, stating that if the required prospectus was not provided, the lease is voidable by the homeowner. We support this approach, but suggest several revisions:

a. Include written notifications in this section to protect residents of smaller communities.

b. Clarify what is meant by "or prior to initial occupancy of a new mobile home" on lines 7 - 8. If this refers to initial lease up, the situation is already covered and this language is unnecessary. The language could be read to mean a prospectus is needed if the homeowner replaces his old home with a new one, but this would not make sense.

c. Having the leases be voidable is good, although as a practical matter, once a homeowner has moved into a community and sited her home, she is not likely to pick up an leave again because she was not given a prospectus. The more significant aspect of voiding a lease is the treatment of rent. The bill is unclear about what happens to rent paid if the homeowner decides to void the lease. The clause would have more of an impact if it stated that no rent can be collected until the latter of (1) the commencement of the rental agreement or (2) 15 days after the homeowner has received the prospectus.

9. Finally, we note that some communities are or may be owned by the residents collectively in the form of a cooperative. Housing coops are governed by the Real Estate Cooperative Act, 68 Pa.C.S.A. § 4101 et seq., which requires declarations very similar to the disclosures required by this bill. (See 68 Pa.C.S.A. § 4205.) We suggest

language in HB 1201 clarifying that resident owned cooperative manufactured housing communities do not need to file both the prospectus under the MHPRA and the declaration under the Cooperative Act. It should be possible to draft one document that incorporates the requirements of both laws.

The Housing Alliance believes that in order for manufactured housing communities to thrive, the rules must be fair and balanced so all parties - residents, community owners, and manufacturers - can prosper. Addressing the need for better financing will benefit the manufactured housing producers - a large industry in Pennsylvania - as well as the homebuyers. Making manufactured housing communities more attractive places for homeowners will benefit community owners and producers, also.

We support the goals of HB 1201 and are willing to work with industry representatives to come up with suitable amendments. We also ask the Committee to look at the larger issues facing manufactured housing communities and provide a comprehensive package of remedies for strengthening this segment of our housing market. Thank you.



## **FROM A FACTORY NEAR YOU, PENNSYLVANIA'S MANUFACTURED HOMES**

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Manufactured houses make up 5% of Pennsylvania's housing stock. Referred to as mobile homes prior to 1976 and manufactured homes for the last three decades, these homes can be purchased for less than half of what a conventional home would cost and can be owned or rented. In Pennsylvania there are 217,433 occupied manufactured homes - 175,231 owned and 42,202 rented<sup>1</sup> - housing half a million Pennsylvanians. While this makes manufactured housing an important housing option in the Commonwealth, it ranks us only 38th in the nation for the percentage of our housing that is manufactured. South Carolina tops the list at over 20%. In the Northeast, Delaware has the highest percentage of manufactured homes - over 11% of total housing units.

The majority of Pennsylvania's manufactured homes are well over 40 years old, much older than the national average. The median year in which manufactured homes were built nationally is 1971. The median year in which Pennsylvania's manufactured homes were built is 1957. The fact that most of our homes were built prior to 1976 creates significant safety concerns because homes built prior to 1976 were often poorly constructed.<sup>2</sup> In 1976, the U.S. Department of Housing and Urban Development (HUD) developed a federal building code to improve construction and safety standards for manufactured homes. The HUD code was again revised in the 1990s to improve energy efficiency, ventilation standards and wind resistance. Homes built prior to these new standards offer less safety and comfort to residents.

65% of the Commonwealth's manufactured housing is located in rural areas of the state. In fact, manufactured homes make up 14% of Pennsylvania's rural housing stock. There are two explanations for the concentration of manufactured homes in rural areas: (1) zoning restrictions severely restrict manufactured home use in suburbs and cities; and (2) few alternative affordable homeownership or rental options exist in rural areas.<sup>3</sup>

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<sup>1</sup> The data cited in this paper is derived from the 2000 U.S. Census unless otherwise noted.

<sup>2</sup> *Manufactured Housing Overview - Industry Overview, Partners in Community and Economic Development* (Winter, 2002).

<sup>3</sup> *An Examination of Manufactured Housing as a Community- and Asset-Building Strategy*, Report to the Ford Foundation by Neighborhood Reinvestment Corporation in collaboration with the Joint Center for Housing Studies of Harvard University (Sept 2002).

Pennsylvania households of all ages live in manufactured homes. Although manufactured homeowners have the reputation of being attractive to households that are “barely wed or nearly dead”, in Pennsylvania it is households between ages 25-54 that reside in the majority of our manufactured homes.

White households occupy 98% of Pennsylvania manufactured homes. Very few Black, Asian or Hispanic households have chosen to buy or rent a manufactured home. This can be explained in part by the concentration of manufactured homes in rural counties with and small minority populations.

The median value of a Pennsylvania manufactured home is \$24,400, far less than the national median of \$31,200, and varies greatly from county to county. Median value is greatest in Montgomery County at \$49,800 and lowest in Lycoming County at \$18,200. The large range in value statewide may be due to the age of the manufactured housing predominant in the county. As for rents charged to households living in manufactured homes, we do not have good data. We do know, however, that rents can be so high as to require one third of households to spend 30% or more of their income on rent and utilities – an unaffordable housing unit by federal definition.

In the last decade, new manufactured homeowners have been more likely to locate their home on privately owned land than to rent a space in a mobile home community. In the United States in 1999, just over 50 percent of the total manufactured housing stock was sited on owned land, up from 40 percent in 1985. This trend towards buying the land as well as the home itself is significant because it allows an owner to build equity. While studies have shown that manufactured homes do not appreciate in value beyond the cost of a new manufactured home with the same amenities, the land the home sits on appreciates at the same rate as land where conventional housing is sited.<sup>4</sup>

An added advantage of land ownership is that it may permit the owner to qualify for traditional home mortgage financing. For the most part, lenders tend to treat manufactured homes more like cars than real estate. Retail installment loans rather than mortgage loans are the primary loan device and carry much higher interest rates than mortgage loans because they are secured by the manufactured home but not by the land on which it sits. Purchasing land and home together may allow the owner to take advantage of the lower interest rates conventional home owners receive.

Surprisingly, regardless of where manufactured homes are sited, they are not really that mobile. The HUD code requires every manufactured home to be built on a chassis and be able to drive on the highway. This explains why manufactured homes are typically long rectangles about 14 feet wide. The reality, however, is that manufactured homes are rarely moved once installed because the cost of doing so is so prohibitive. Moving a manufactured home to a new location often costs \$3,000 or more, even for a short distance.<sup>5</sup>

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<sup>4</sup> Jewell, Kevin, *Appreciation in Manufactured Housing: A Fresh Look at the Debate and Data*, Consumers Union: Austin, TX (2002).

<sup>5</sup> *An Examination of Manufactured Housing as a Community- and Asset-Building Strategy*,

Half a million Pennsylvanians live in manufactured homes throughout Pennsylvania. Manufactured homes provide the largest percent of the total housing stock in Fulton (22%), Forest (19%) and Bradford (19%) counties. The largest number of manufactured homes is found in Westmoreland, York, Butler, Lancaster, and Fayette counties. Whatever county manufactured homes are located in, studies have shown that they will contribute to the community, the land on which they sit will appreciate at the same level as other county land and they will not lower sales prices of surrounding conventional homes.<sup>6</sup>

**Manufactured Housing By County: Counties From Highest To Lowest Percentage And Real Number Of Manufactured Housing Within Their Housing Stock**

<i>Percent of Housing Stock</i>		<i>No. Of Manufactured Homes</i>	
Fulton	22%	Westmoreland	12,282
Forest	19%	York	10,446
Bradford	19%	Butler	8,760
Tioga	19%	Lancaster	8,502
Greene	18%	Fayette	8,354
Wyoming	17%	Erie	7,724
Bedford	17%	Crawford	6,769
Cameron	17%	Washington	6,161
Potter	17%	Cumberland	6,126
Clarion	16%	Luzerne	5,855
Crawford	16%	Bucks	5,723
Susquehanna	15%	Berks	5,650
Pike	15%	Indiana	5,438
Indiana	15%	Bradford	5,365
Huntingdon	15%	Franklin	5,268
Perry	14%	Pike	5,088
Somerset	13%	Clearfield	5,055
Clearfield	13%	Chester	5,030
Warren	13%	Somerset	4,981
Juniata	13%	Mercer	4,721
Sullivan	13%	Allegheny	4,401
Fayette	13%	Beaver	4,382
Butler	13%	Lycoming	4,112
Armstrong	12%	Centre	3,989

Report to the Ford Foundation by Neighborhood Reinvestment Corporation in collaboration with the Joint Center for Housing Studies of Harvard University (Sept 2002).

[http://www.jchs.harvard.edu/publications/communitydevelopment/W02-11\\_apgar\\_et\\_al.pdf](http://www.jchs.harvard.edu/publications/communitydevelopment/W02-11_apgar_et_al.pdf)

<sup>6</sup> Hegji, Charles E. and Linda G. Mitchell, *The impact of manufactured housing on adjacent site-built residential properties in two Alabama counties*, Southern Business Review (Fall 2000); Stephenson, Richard and Guoqiang Shen., *The Impact of Manufactured Housing on Adjacent Site-Built Residential Properties in North Carolina* (1997); Warner, Kate and Robert Johnson, *Manufactured Housing Impacts on Adjacent Property Values*, University of Michigan. Report 4 (1993).

<i>Percent of Housing Stock</i>		<i>No. Of Manufactured Homes</i>	
Columbia	12%	Bedford	3,936
Wayne	12%	Blair	3,933
Clinton	11%	Dauphin	3,917
Jefferson	11%	Tioga	3,686
McKean	10%	Cambria	3,437
Snyder	10%	Northampton	3,403
Union	10%	Susquehanna	3,352
Franklin	10%	Lawrence	3,330
Mercer	9%	Columbia	3,294
Elk	9%	Venango	3,221
Montour	9%	Lehigh	3,183
Adams	9%	Clarion	3,115
Lawrence	8%	Adams	3,100
Lycoming	8%	Warren	3,078
Westmoreland	8%	Greene	3,067
Centre	8%	Huntingdon	3,063
Blair	7%	Monroe	3,045
Washington	7%	Schuylkill	2,943
Cumberland	7%	Lebanon	2,900
Erie	7%	Perry	2,733
York	7%	Lackawanna	2,699
Lebanon	6%	Montgomery	2,627
Beaver	6%	Jefferson	2,496
Carbon	5%	Northumberland	2,226
Cambria	5%	McKean	2,215
Northumberland	5%	Mifflin	2,196
Lancaster	5%	Wyoming	2,142
Monroe	5%	Clinton	2,078
Schuylkill	4%	Potter	2,007
Luzerne	4%	Forest	1,665
Berks	4%	Elk	1,637
Dauphin	4%	Carbon	1,594
Northampton	3%	Snyder	1,487
Chester	3%	Fulton	1,482
Lackawanna	3%	Union	1,446
Bucks	3%	Juniata	1,337
Lehigh	2%	Philadelphia	867
Montgomery	1%	Sullivan	765
Allegheny	1%	Cameron	764
Delaware	0.3%	Montour	683
Philadelphia	0.1%	Delaware	669