

COMPENSATION FOR HOMES DUE TO REDEVELOPMENT OF PROPERTY

INTRODUCTION

Are park landlords really land speculators putting in manufactured housing to pay all the costs associated with the land and its operation as housing park as well as proving a generous profit until the land appreciates enough to redevelop? As one park owner put it “manufactured home park ownership is one of the best kept financial secrets today”.

Who has paid for what in a manufactured home park? Landlords say they own the land and the infrastructure which they rent to the home owner. This is true but who paid for the land and infrastructure? For example; I paid \$98,000 for my home but it cost the park owner just \$32,000 delivered to the site from the factory. Even allowing for \$16,000 for connecting utilities, skirting and adding a sundeck, this still leaves \$50,000. This costing is similar to other manufactured home park developments. Also, the rent is calculated to allow for recapturing the original purchase price of the land. Landlords are taking us to arbitration for additional rent increases to cover the costs of repairing and upgrading the infrastructure. Now, new land speculators are looking at the land and seeing a bigger profit from redevelopment with resulting new sales of larger more expensive types of housing with only a minor outlay to get rid of the existing homes. Creative methods of getting homeowners to sell to them or move out are being found to further reduce the costs to the landlord/landowner and/or developer. This has not changed from 1986 see Hansard for May 26th, 1986.

- Homes were originally sold as a package i.e. Home and Rented Lot with the purchase price reflecting this.
 - Homes were sold to purchasers at inflated ‘Dealer’ prices not ‘Factory’ prices.
 - Dealer/developer prices included a value for location of property in the community and location of home in the park (same methodology as for site built homes)

BACKGROUND

The concept ‘land rented for permanent housing’ started growing many years ago. In the beginning, the homes were really nothing more than glorified travel trailers or travel trailers used for permanent residences. This is no longer the norm as park owners saw more money by allowing and promoting the use of their land for bigger and bigger homes. Manufactured homes are large and sometimes complex structures when the additions are taken into consideration. They are now as moveable as site built homes.

Many homeowners purchased without full disclosure. Since they did not know they did not have full disclosure, they were true innocents caught in a system that evolved without guidelines or specific legislation. Various pieces of legislation were amended or added to without regard for the whole picture of permanent homes being put on rented land.

The first encounter with the landlord, for many, is when they are interviewed for acceptance or rejection of a rental agreement. At these interviews, no mention is made of what happens when the land is redeveloped and the home must be moved off. Even with this warning,

- the sight of permanent looking housing on the rented sites,
- overall appearance of the park, and
- having to pay property taxes coupled with,
- the actions of the land owner and park manager
- Park rules containing clauses requiring the home owner maintain the lot to standards set out by the land owner.

NOTE: This type of action and even non-action is dealt with in the Supreme Court Case, *Stiles vs Todd Mountain* where a judge found that:

"Where, as here, a party expends money on the land of another under an expectation created or encouraged by the owner, or even where the landowner merely stands silent, the authorities establish that propriety estoppel may found a cause of action, a revocable licence may be rendered irrevocable...."

leads to a perception by the home buyers that the home is there in perpetuity. Since the majority of people are aware of the expropriation provisions when other homes are in the way of new developments, they have a preconceived notion of there being a requirement for fair compensation. It is incomprehensible to most people that they could lose the investment in their home while the land owner makes windfall profits – this goes against any ideas of fundamental fairness.

Three Tiered Approach to Compensation

1. Under the MHP Tenancy Act in section 44, the amount paid by landlords should be increased to \$25,000 to cover the loss of the home owners investment in the infrastructure, the upgrading and landscaping of the lot as well the pain and suffering involved in having to move at some one else's timetable or
 - a. Mandate a contingency fund (see Strata Coops) set up from existing rent
 - Status of fund to be reported yearly to residents
 - If park sold for redevelopment, fund divided equally among residentsand
2. Local jurisdictions that have collected taxes over the years should have a fund to assist in obtaining alternate affordable housing since they are responsible for allowing the loss of the currently lived in affordable housing and
3. Developers and/or park owners should be required to:
 - a. pay fair market value for all the homes or
 - b. provide alternate affordable and acceptable housing to the persons being displaced or

- c. provide fully for the moving of the home to a site acceptable to the home owner.

Summary of Reasons behind the three tiered approach:

- In the rent, home owners pay for the installation and upkeep of infrastructure needed for operating a manufactured home park. (sewers, water, roads etc.). When a park is redeveloped, the home owner who has paid for this infrastructure loses that investment also and should be compensated
- We have already lost value on our homes due to increases in rent we should not be penalized further when a land owner wants to make even more money by redeveloping the property.
- Land owners have made windfall profits selling the homes to us and now want another massive profit from selling the land out from under us.
- At the present time, if a home must be moved, there is virtually nowhere to put it.
- The loss of equity and financial ruin being faced by the home owner while the land owner makes windfall profits is unconscionable and must be balanced.

The only homeowners that stand to win if only one years' rent is paid are those that have older homes with little or no resale value and are paying a high yearly rent that exceeds the resale value of the home. This is unfair to the land owner – they should not be required to pay more than fair market value for the home.

Manufactured homes are permanent housing even though they are on rented land and need to be treated as permanent homes. This will need legislative changes or perhaps even new legislation if the practice of '**land rented for housing purposes**' is to be adequately addressed. A new approach needs to be taken in order to protect this important type of affordable housing.

OTHER POSSIBLE SOLUTIONS

Encourage Land owners to sell the park to the residents at a fair price.

Provide crown land to move the homes to and have the local jurisdictions run the new parks?

Provide low interest loans so displaced residents can buy property to put their homes on or to purchase another home?

Phase out all rental parks since:

- Land owners are demanding unfair practices be legislated to give them more profit and more control of assets owned by others.
- Consumer protection is inadequate for manufactured home owners in manufactured home parks.