

PREAMBLE

Homes on Rented Land

January 2013

There are thousands of BC residents currently owning homes on rented land. Many live in fear of eviction for redevelopment of the land or having their home evicted for cause that they may not be in a position financially, mentally or emotionally to challenge. Anyone faced with an eviction notice would be well advised to get the best lawyer possible before going to an arbitration hearing as the outcome can be devastating and even if the hearing is won, the landlord will be displeased.

These British Columbia residents deserve and need an updated and expanded Tenancy Act for homes on rented land as well as amendments to the *Business Practices and Consumer Protection Act* to provide them with security of tenure, more financial security for home ownership, and improved living conditions.

The potential for manufactured homes as a type of affordable single family detached housing is enormous, but legislative reform is needed to deal with the complexities of a relationship where one party is a renter, a home owner and a property tax payer, in order to provide sufficient consumer protection to stabilize and safeguard this unique form of housing.

Would a provincial Act covering Housing on Rented Land adversely affect:

- land ownership? No, the Land Title Act would not need to be changed.
- land speculation? Yes, it could result in a slowing down of the inevitable redevelopment of the land and perhaps encourage some landlords to provide better maintenance of the park and infrastructure.
- this type of affordable home ownership. No, the purpose is to stabilize and protect it from abuse.

This type of Act was foreseen and recommended by a Law Commission Report in 1973. Since then manufactured homes have changed in size, building methods and price. Selling prices for new homes in new parks now start at over a quarter of a million dollars, with the homes being constructed more like site built homes(yet still sitting on rented land).It is time to proceed with the changes needed to protect consumers who are buying into the land rental concept.

Active Manufactured Home Owners Association

HOUSING ON RENTED LAND TENANCY ACT

January 2013

ACTIVE MANUFACTURED HOME OWNERS ASSOCIATION
Box 1000
Saanichton, BC V8M 2C5

Table of Contents

INTRODUCTION	3
NEED TO BALANCE RIGHTS OF PARK OWNERS AND HOME OWNERS.....	4
HOW TO ACHIEVE THIS BALANCE?	7
NEED TO PROTECT CONSUMERS	9
HOW TO ACHIEVE CONSUMER PROTECTION?	11

HOUSING ON RENTED LAND TENANCY ACT

INTRODUCTION

As of 2007, there were 1,534,335 manufactured homes in British Columbia with 43,440 classified as movable dwellings.¹ There are over 100,000 manufactured homes on rented land in British Columbia. This varies from one or two on a parcel to over three hundred in some manufactured home parks. These seldom moved homes comprise a form of affordable, small, single family detached housing that appeals to a wide range of people and fill an important market niche.

Without legislation adequately protecting consumers buying manufactured homes and living on rented land in manufactured home parks, a large portion of British Columbia residents are badly exposed to exploitation.

The current legislation has not kept pace with the types of housing being put on rented land which have evolved from travel and park model trailers, to larger modified 14 foot wide homes, to double wide homes to the newest form: being manufactured homes substantially built or altered on site **selling for in excess of a quarter of a million dollars.**

To reflect the changes in housing types, and need to address more than tenancy issues, the name *Manufactured Home Park Tenancy Act (MHPTA)* should be changed to *Housing on Rented Act*.

Our concern in this paper is two-fold:

FIRST: The tenancy legislation needs to do a better job of balancing the rights of manufactured home owners and manufactured home park owners.

- The legislation doesn't recognize that due to changes in the construction of manufactured homes, and due to the aging of existing homes, many manufactured homes cannot be moved.
- The legislation permits rent increases in excess of inflation as well as rent increases to cover costs of maintenance and upkeep. These are reasonably foreseeable and should be considered part of the cost of doing business (as they are under the *Residential Tenancy Act*).
- The imbalance of power in the legislation leaves homeowners with a fear that they will face 'eviction of their home for cause' if they try to have their rights upheld at arbitration. This fear is intensified by the fact the Residential Tenancy

¹ Manufactured Home Study - 2007 p. 47

Branch's processes are highly informal and in most cases do not allow an accessible form of appeal. Too many landlords use and build on this fear.

SECOND: Consumers need to be protected and made aware of the risks of purchasing housing on rental land.

- The cost of a home on rented land is lower than a home on freehold land. Retirees and others with limited or fixed incomes are increasingly considering homes on rental land as they look to purchase the best accommodations possible with limited income.
- Manufactured home park owners and manufactured home vendors are selling the benefits of homes on rented land without notifying potential renters/purchasers of the risks.

NEED TO BALANCE RIGHTS OF PARK OWNERS AND HOME OWNERS

Compensation for homes due to park closures, rules and rule changes, assigning and subletting, rent increases, and lack of park maintenance, are the major causes of friction in parks. Under the *MHPTA* the home owner has no power to negotiate changes with the landlord so it falls up the provincial government to ensure that there is a balance to this power.

- Better compensation for tenants upon park closure

The current tenancy laws give little protection or compensation to tenants being evicted for the purposes of redevelopment, while landlords redeveloping property stand to collect windfall profits. Local governments have enacted a wide variety of bylaws and policies regarding the redevelopment of manufactured home parks but there is little consistency, and in many cases, there is no policy at all. Furthermore, where the land is not up for rezoning and a park is simply closed as a 'business decision', even local government bylaws have no role to play.

Further, manufactured homes are, in most instances, permanent structures with additions that if removed would compromise the original portion thereby making moving a more difficult and expensive proposition. If they can be moved, the costs are prohibitive for moving a manufactured home. Yet another issue is that many manufactured home parks are not willing to accept older homes, meaning that there is often nowhere for a tenant to move his or her home.

Amending the *Manufactured Home Park Tenancy Act* to provide fair compensation, either fair market value or assessed value for those that cannot be moved and full moving expenses for those homes that can be moved, will give assurance that they are at least treated with some evenhandedness when a park is closed. Private Members Bill M208 - 2010² provides a basis for the needed changes.

² Private Members Bill M208 - 2010

- Rules

Rules can be anything from oral to over 60 pages in length. Landlords have stated in meetings hosted by the government that they don't care what the law says, they will rule their land the way they want to. Parks rules reflect this attitude with far too many containing terms that are contrary to the *MHPTA* or other laws. Taking these to arbitration does not result in the rules being amended for the whole park - only those taking the landlord to arbitration. This action causes more friction and too many times the landlord finds cause to evict the home. This letter from a park owner to a home owner shows how easy this is with vague references to problems³. A response letter from a lawyer to get the specific charges so the home owner could rectify them (if they did indeed take place) did not get an answer.

Resident's homes can be evicted for breaking rules- even rules they do not know have been changed and have not signed acceptance to the changes. There is also the problem that if the homeowner does not agree to the change in rules, the landlord can frighten them into acceptance by threatening eviction of the home. Elderly home owners are particularly vulnerable to this form of abuse.

Requiring that all amendments to the rental contract (including changes to rules) be required to be agreed to and signed by all parties to the rental contract would also help balance the Act. Landlords now have the right to make changes to rules without consulting those affected by the rules as long as they do not affect material terms. Material terms mean something different to each resident and arbitrators rulings reflect yet another understanding of the phrase.

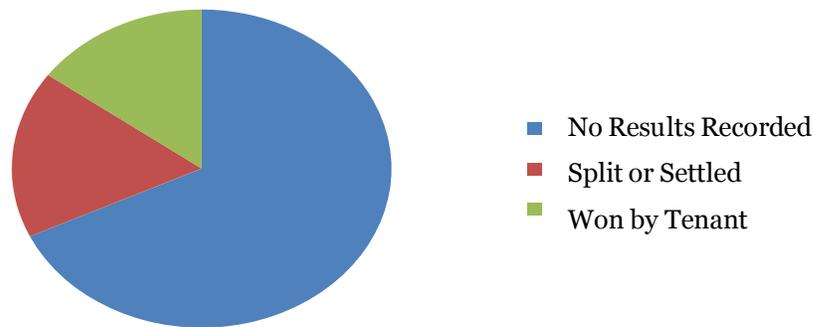
Establishing mandatory "Standard Park Rules" that eliminate unenforceable, unfair or unnecessary rules would help alleviate the friction caused by these rules. Additional rules for use of park owned buildings, recreational facilities or equipment available for use by all park residents could still be at the discretion of the individual park owner.

- Assigning and subletting

Landlords are making assigning and subletting either something they refuse to do in their rules or make the procedure so difficult that the seller does not even attempt it in order to sell the home with minimal landlord interaction, this results in a new tenancy agreement at higher rent and often a lower selling price for the home to make the sale more attractive to a purchaser.

The following chart shows the results of arbitration for assigning and subletting. As can be seen, most arbitrations hearings failed to start while of the remainder only a few were won by the home owner and some reached an indeterminate end, being classified as split or settled. With these split or settled decisions, did the arbitrator impose conditions not set out in the Act? We could not get copies of these decisions to see what had happened.

³ Letter from park owner



**ARBITRATION RESULTS SUPPLIED BY
RESIDENTIAL TENANCY BRANCH IN 2011**

The difficulty and cost of moving the home gives the park owner disproportionate power. It is important to avoid opportunities in the legislation to force the resident to sell the home at an unconscionably low price. The right to sell the home is so key, that giving a landlord additional rights to control the retention or passing on of the tenancy agreement or otherwise control the sale of the home gives excessive leverage to the landlord.

Capping rent increases for new tenancy agreements to 1 or 2% of current rent would be a way to protect both the value of the home for the seller and the other residents in the park from facing an additional rent increase to bring all rents up to the higher rents being charged for new tenancy agreements.

- Stronger rent protection

Those owning homes on rented land are virtually captive renters, tied to the landlord who owns the park where they reside. Manufactured homes are seldom moved to lower-rent parks due to the difficulty and expense involved. When rent exceeds the ability of those on fixed incomes to pay, they must sell the home for whatever they can get, as paying rent for two residences is not financially feasible. If a tenancy ends because a tenant cannot afford to pay the rent the manufactured home often ends up being abandoned, becoming a catastrophic financial loss to the home owner.

The fact that landlords are permitted annual rent increases that build in an extra 2% above inflation means rents are rising faster than income or the SAFER grant levels. This is creating hardship for those living on fixed or low incomes, which form the majority of manufactured home park residents.

This extra 2% is indefensible in light of the generous provisions for additional rent increases, and the 'pass through' provisions for government levies and utilities.

Calculating the allowable annual rent increase (2% plus inflation plus an amount to cover utility and tax increases) for the whole park compounded over a period of time, this seemingly minor increase ends up creating major rent hikes for manufactured home tenants. Such an increase is hard to defend in light of the many deteriorating parks that have landlords collecting this investment bonus.

	INFLATION ONLY (\$6,000 per year rent)		INFLATION PLUS 2% (\$6,000 per year rent)	
2007	2.0%	\$6120.00	4%	\$6240.00
2008	1.7%	\$6224.04	3.7%	\$6270.88
2009	1.7%	\$6329.85	3.7%	\$6710.30
2010	1.2%	\$6405.81	3.2%	\$6925.03
2011	0.3%	\$6425.02	2.3%	\$7084.31
2012	2.3%	\$6572.80	4.3%	\$7388.93
2013	1.8%	\$6691.11	3.8%	\$7669.71

Figure 1 Table of Yearly Compounded Rent Increase Based on \$500 per month (\$6,000 per year)

	RENT INCREASE PROFIT OVER 7 YEARS FOR A 50 HOME PARK	
	Inflation	Inflation Plus 2%
7 yr increase X 50 homes	\$241,888.58	\$ 584,399.44

Figure 2 - Increases to above Rent Table for 7 year period for a 50 home park.

Using the above table and adding the base rent of \$6,000 per year for 7 years; the income for a 50 home park with inflation only is \$2,341,888.58 and with inflation plus 2% is \$2,684,399.44.

Additional rent increases and pass through provisions for government levies and utilities further skew the results in favour of the landlord's profit line.

A separate problem is that a charge for repairs to the park's basic infrastructure is available through the additional rent increase provisions. The tenancy legislation allows the landlord to claim an extra increase for significant repairs or renovations, even if those repairs or renovations are reasonable foreseeable. Such costs are part of the cost of doing business and should not be passed on to the tenants.

- Adjusting the balance of power in the Act

The provisions for eviction of the home gives the landlord a disproportionate power. The threat of eviction leads to home owners agreeing to or not officially challenging rent increases, rules and other terms in the tenancy agreement in order to stave off the economic harm and mental stress associated with the loss of their homes and communities.

HOW TO ACHIEVE THIS BALANCE?

Change definition of Manufactured Home to "Structures that are used as primary residences" and specifically include homes that are partially built in a factory or substantially altered on the site and cannot be moved in the same manner as traditional manufactured homes. This will clarify which types of housing are covered by the legislation. Currently, many owners of homes in the newer parks

think that because their homes are on foundations like a sight-built home and only partially built in a factory, they do not come under the *MHPTA*.

Amend section 42(2) and Section. 44 of the Act to include provisions of Private Members Bill 208-2010 and make clear that this section also applies to parks that are being closed for any reason.

This will provide fair compensation for homes that cannot be moved and moving expenses for homes that can be moved.

NOTE: Criteria for determining fair market value are already set out in the Property Transfer Tax Act.

Add provisions for:

All amendments to the rental contract (including changes to rules) be required to be agreed to and signed by all parties to the rental contract.

Establish mandatory "Standard Park Rules" that eliminate unenforceable, unfair or unnecessary rules. This would reduce opportunities for abuse of power and make running the park pleasanter by reducing arbitrations for infraction of rules.

Add a new Division to Part 2 - Selling and Subletting to the Act. This will assist those selling or subletting in finding the pertinent requirements.

Move or refer to section 19(2) prohibiting the landlord from putting a term in the park rules requiring the home owner to sell the home through the landlord.

Move Section 28 to this new Division and amend Section 28(1)(c) to reinstate the right of home owners to assign or sublet the tenancy agreement.

Add a clause dealing with providing written reasons for refusing new tenancy agreements when homes are resold

Amend section 48(c) from the Regulations - 'Grounds for withholding consent to a request' to require just the essentials of:

- (1) a financial check for ability to pay the rent.
- (2) rental record for prior two years and/or two personal references
- (3) Age confirmation - where applicable
- (4) Pet confirmation - where applicable
- (5) Clarify the 10 days 'deemed' provision; i.e. does the time start over each time the forms are returned for further information.

This will simplify the process and still allow the landlord some control over those who live on the land being rented.

Provide a standard 'Consent to Mortgage Form' integrating portions of the Manufactured Home Act which sets out the 'chattel' nature of a manufactured home on rented land. Landlords and mortgage lenders have different Consent to Mortgage forms which complicates the sale of homes. Many landlords do not realize that the Manufactured Home Act

gives the protection they are asking for in their Consent to Mortgage forms i.e. that the home is not a fixture on the land.

Provide for a cap to rent increases for new tenancy agreements when homes are sold. This cap could be in the range of a 1 or 2% increase at time of sale.

Amend Regulations section 33 (1)(b) - Additional rent increases; by adding the provision included in the *Residential Tenancy Act* :

(iii) could not have been foreseen under reasonable circumstances

Foreseeable repairs are a cost of doing business and should be borne by the landlord not the renter.

Amend Regulations section 33 (2) by removing the provision for "plus 2%" in the formula and move "proportional amount" to section 33.

Moving the proportional amount to the section for additional rent increases would clarify for both landlord and home owner that this is an arbitratable amount while still providing a easy to understand method for calculation.

Removing the provisions for the extra 2% and putting a cap on rent increases for new tenancy agreements would assist in keeping housing on rented land as affordable housing and still allow the landlord a reasonable increase to profits.

Add in either the Manufactured Home Park Tenancy Act, or the Business Practices and Consumer Protection Act provisions for full written disclosure to potential purchasers of the drawbacks of owning a home on rented land.

Add a requirement that when a park is placed up for sale, residents are advised by written individual notices delivered to each household. This will give them an opportunity to explore purchasing the park as a group to convert it to a Cooperative or Strata Park.

NEED TO PROTECT CONSUMERS

The owners of land they are renting out for housing are aware of the vulnerabilities of those buying into this concept of putting the home they own on rented land. This excerpt from an article aimed at land owners in the *Mobile Home Store* titled *Selling the Land Lease Concept To Potential Residents* and with our analysis of the sales pitch (in italics) shows why consumer protection is needed:

*So, how do you explain the benefits of leased land to the consumer? Joe offered the following insights:*⁴

- 1. Market leased land as a good investment. Financially you can make a sound case that by leasing rather than owning, the consumer is dollars ahead. There is no cash outlay for the land.**

⁴ Selling the Land Lease Concept to Potential Residents - J.M. Stevens

AMHOA analysis:

Yes, the cost of the home is lower and will appeal especially to those with marginal retirement funds or those desiring an affordable single family detached home but what happens to those British Columbia residents when this investment is lost due to park closure, redevelopment, eviction for cause or the land owner simply interferes with the sale of the home? The government's 2007 McClannaghan Report makes it clear that it is not a case of 'if the park is redeveloped' but when it will be. Even the newest parks will be facing this scenario in the future as land values continue to escalate.

2. Sell the sense of security and control with leased land.

AMHOA analysis:

- a) The current legislation does not give the renter of land security or control over their asset - the home. The land can be sold out from under the home with only 'the equivalent of one year's rent in compensation for the loss of up to a quarter of a million dollar home.
- b) The rent continually goes up beyond the cost of living or pension increases starting with a default 2% plus inflation, plus an amount to cover the landlord's increase in taxes and utilities, plus the potential for additional rent increases for numerous other costs. There is even an additional rent increase available to land owners who have a 'financial loss for the cost of borrowing to purchase the park' or a 'financial loss from extraordinary increases to operating the park'. These increases are compounded annually in perpetuity.
- c) Tenancy Agreements are in the absolute control of the landlord.
 - I. The Act allows a landlord to refuse to assign or sublet the home if the park has a rule prohibiting these procedures.
 - II. New Tenancy Agreements and Rules are set by the landlord
 - III. Rules are changed by the landlord without consultation with those affected
 - IV. There is no method of ensuring that all rules are legal and enforceable - even if ruled as such by an arbitrator or court.
- d) If a purchaser requires a mortgage to buy the home, the landlord must sign a 'Consent to Mortgage' form. There is no prescribed form; lending institutions and park owners often differ on what wording to use.

3. Favorably compare the costs of leasing the land versus owning. (The sales pitch compares the cost of buying the land as opposed to putting that same money into an investment and the interest gained on that investment).

AMHOA analysis:

Those buying into a manufactured home park often do so because they do not have the money to buy a house and lot together and want to live in a single

family detached home on a small lot.

4. Build value in the monthly rent.

AMHOA analysis:

What this means is left to the imagination as to what value can be built by paying monthly rent. Many parks are not fully maintained as evidenced by the number of land owners who are closing parks for 'failing infrastructure'. There is no requirement in the current legislation for park owners to maintain the park's infrastructure even though this is one of the basic services being rented by home owners.

HOW TO ACHIEVE CONSUMER PROTECTION?

We need to see changes to the consumer protection legislation, and/or the Manufactured Home Park Tenancy Act, to require that all new buyers of manufactured homes, and all prospective new manufactured home tenants, be alerted to these risks. A fact sheet including realistic information about the risks of rental housing should be required to be provided to any prospective purchaser along with the contract of purchase and sale, and to any prospective tenant along with the tenancy agreement. We also suggest requiring landlords to give all current and new tenants a business plan setting out the current zoning and plans for the operation and upkeep of the park for the next 5 years with updates given to all home owners in the park as changes are made to operating prospectus. A current budget and the last year's operating expenses would assist those living in the park or prospective purchasers in making more informed decisions regarding living or continuing to live in the park.

2010 Legislative Session: 2nd Session, 39th Parliament
FIRST READING

The following electronic version is for informational purposes only.
The printed version remains the official version.

MR. SHANE SIMPSON

BILL M 208 — 2010

**MANUFACTURED HOME PARK TENANCY
AMENDMENT ACT, 2010**

This bill will protect a vulnerable group of our society by amending the *Manufactured Home Park Tenancy Act*, S.B.C. 2002, c. 77. Currently, tenants renting land in manufactured home parks have little protection against an eviction for the purposes of development. This group of people face unique obstacles and barriers when they receive an eviction notice due to the permanent nature of their dwelling and the high costs associated with relocating the manufactured home. By amending sections 42 and 44 of the *Manufactured Home Park Tenancy Amendment Act*, this legislation provides protection for tenants in manufactured home parks in primary ways:

- requiring that a park owner provide 12 months notice of eviction when redeveloping land under any form of tenancy agreement;
- requiring that a park owner, at the time of eviction, pay a tenant's relocation expenses, up to \$25,000;
- requiring that a park owner pay those tenants who are unable to relocate their manufactured homes because of local building standards an amount equal to the fair market value of the manufactured home, as compensation.

HER MAJESTY, by and with the advice and consent of the Legislative Assembly of the Province of British Columbia, enacts as follows:

1 Section 42 (2) of the *Manufactured Home Park Tenancy Act*, S.B.C. 2002, c. 77, is amended by repealing the section and replacing it with:

42 (2) A notice to end a tenancy under this section must end the tenancy effective on a date that is not earlier than 12 months after the date the notice is received and is the day before the day in the month, or in the other period on which the tenancy is based, that rent is payable under the tenancy agreement.

2 Section 44 (1) of the *Manufactured Home Park Tenancy Act*, S.B.C. 2002, c. 77, is amended by repealing the section and replacing it with:

44 (1) A landlord who gives a tenant notice to end a tenancy under section 42 [*landlord's use of property*] must pay the tenant's actual moving costs up to \$25,000. Moving costs shall include:

- (a) disconnection of services, hydro, water, cable, sewer and reconnection fees at new site,
- (b) removal of skirting and reinstallation,
- (c) removal of porches, additions if possible without negatively impacting the integrity of home,
- (d) trucking costs,
- (e) living out expenses until home can be moved back into safely and
- (f) re-landscaping to approximate condition of current lot.

3 Section 44 of the Manufactured Home Park Tenancy Act, S.B.C. 2002, c. 77, is amended by adding the following subsection:

44 (3) In addition to the amount payable under subsection (1), if a landlord has ended a tenancy under notice of section 42 and the tenant is unable to relocate the manufactured home because,

- (a) of building restrictions in that jurisdiction,
- (b) the manufactured home fails to meet transportation safety standards, or
- (c) a suitable site within 50 kilometers cannot be found,

the landlord shall pay the tenant the amount that is the greater, the manufactured home's professionally appraised value as it stands on its site, or the assessed value of the manufactured home. Cost of appraisal to be borne by the park owner.

Explanatory Note

This bill will protect a vulnerable group of our society by amending the *Manufactured Home Park Tenancy Act*, S.B.C. 2002, c. 77. Currently, tenants renting land in manufactured home parks have little protection against an eviction for the purposes of development. This group of people face unique obstacles and barriers when they receive an eviction notice due to the permanent nature of their dwelling and the high costs associated with relocating the manufactured home. By amending sections 42 and 44 of the *Manufactured Home Park Tenancy Amendment Act*, this legislation provides protection for tenants in manufactured home parks in primary ways:

- requiring that a park owner provide 12 months notice of eviction when redeveloping land under any form of tenancy agreement;
- requiring that a park owner, at the time of eviction, pay a tenant's relocation expenses, up to \$25,000;
- requiring that a park owner pay those tenants who are unable to relocate their manufactured homes because of local building standards an amount equal to the fair market value of the manufactured home, as compensation.

Copyright (c) Queen's Printer, Victoria, British Columbia, Canada



[Redacted]

TENANT: [Redacted]

RE: Infraction of Park Rules, Quiet Enjoyment

Dear Mr. & Ms. [Redacted]

Please be advised, we have been made aware of numerous complaints from tenants and management in [Redacted] Mobile Home Park due to noise disturbance and unusual behavior within unit [Redacted]

Please note, as per of the Manufactured Home Park Tenancy Act, Section 22, "Right to Quiet Enjoyment", we are obligated to notify you that a problem exists and we must take all reasonable steps to correct it. From what we understand the noise disturbance is exceeding a reasonable level, the behavior is getting increasing unusual and loud and you have been seen entering the private property of other tenants in the park.

We ask that these issues actively be dealt with in order to avoid further recourse as this is a MATERIAL TERM OF THE TENANCY AGREEMENT and this could result in a Notice to End Tenancy immediately. We thank you for your attention to this matter.

Management has been made aware, in writing, of your receipt of this letter, and that you plan to comply with the problems outlined above.

Regards,

[Redacted]

[Redacted]

[Redacted]

On-site, Managers



MobileHomeParkStore.com
We Help You Buy, Sell and Manage
Your Mobile Home Community
1-800-950-1364

SELLING THE LAND LEASE CONCEPT TO POTENTIAL RESIDENTS

(What happens in Vegas doesn't stay in Vegas)

Joanne M. Stevens

For the third time in as many years, in conjunction with the annual Manufactured Housing Institute Congress in Las Vegas, the National Communities Council of MHI held a one-day forum for community management and operations. This year's theme was "Maximizing Profitability in Parks and Communities". Many tools to succeed, grow and prosper were presented. (For information and dates regarding next year's Congress as well as other items of interest, see www.manufacturedhousing.org.)

Community owners tend to believe that residents or prospective residents of parks and communities think about and understand the benefits of leasing rather than owning land. Many owners haven't thought through the process of "Why does someone lease versus own land?", and even fewer home sales people are equipped to competently explain the advantages and can make the case for leasing versus owning. Fact is, many sales people will end up agreeing with the prospective residents that it is better to own rather than lease land. Most sales people have never received any explanation or training as to why the land lease is an excellent concept.

Joe Adams, PHC owner of the Housing Marketplace, Inc. gave an impressive and enlightening presentation on how to market, communicate and reinforce the advantages and benefits of leasing land versus owning.

A little bit about Joe. During his career, Joe has been a manufacturer and retailer. As a retailer, he directed sales and marketing at 15 communities in Florida where sales of homes exceeded 180 per month. That is a lot of home sales by anyone's standards! To learn more about Joe Adams and his sales training business go to: www.TheHousingMarketPlace.com or phone: 828-891-3911.

To order the complete "Selling the Benefits of Leased Land" training program with slides and synchronized audio go to the website or call Joe.

BASIC PREMISE

Consumers today are worried about a great many things. For you in the community business, this means:

- **Fear causes many people to avoid making decisions.**
- **Adults tend to listen only to information that reinforces their learned value systems.**
- **People rarely change their opinion about anything without an overabundance of information.**

Understanding these premises is key to effectively making the case to the consumer for leasing land in a park or community. Community owners and managers are in the position of needing to be very proactive in addressing the consumers' fears, especially their unspoken fears. In making the "sale" of the land lease or the home and land lease, the successful community operator will anticipate and prepare for what is on consumers' minds. It is time for us to stop telling prospects what we want to talk about and anticipate and engage the prospect in a way

that helps them make a good decision about housing.

SHOPPERS FEARS

What are consumers worried about today? Sadly, the list is long and includes everything from the economy with job layoffs, the weak American dollar, the sub-prime fallout and rising gas and food prices to the war, global warming and natural disasters. The Baby Boomers who are starting to retire worry that Social Security won't be available to them and that their health care costs will spin out of control. Knowing that your customer is carrying a heavy load and preparing them with solid information regarding their home-buying decision is an important service. **As they relate to the park or community, the consumers' fears are that:**

- **Rent Increases. Be prepared to explain how rent increases are set.**
- **Change of Land Use to a higher and better use, causing the community to close and forcing them to move. The prospect needs to understand whether or not this is likely to happen.**
- **Resale of manufactured homes and depreciation. If you sell homes, explain current trends.**
- **Natural disasters such as hurricanes, tornadoes, floods. Talk about the history of the property and safeguards.**

Maybe it's time for us to think more about what the consumer is worried about and how our communities and homes will help make their life better.

BELIEF THAT OWNING LAND IS RIGHT

In this country we are acculturated from birth that it is better to own than to rent. As with many beliefs, we don't always question or analyze them to see if they are right for us and our situation. That is why we in the community business need to present compelling information and logic if we expect the prospect to understand the benefits of leasing land.

THE BENEFITS OF LEASED LAND

So, how do you explain the benefits of leased land to the consumer? Joe offered the following insights:

- 1. Market leased land as a good investment. Financially you can make a sound case that by leasing rather than owning, the consumer is dollars ahead. There is no cash outlay for the land.**
- 2. Sell the sense of security and control with leased land.**
- 3. Favorably compare the costs of leasing the land versus owning.**
- 4. Build value in the monthly rent.**

As you can see, it will take time and research to prepare the facts for a customer. And while Joe didn't say it, you get the sense that we in the community business have been winging it for a long time.

One of the highlights of Joe's presentation was his use of customer/resident testimonials. Joe uses a wider range of advertising and marketing than the average business and most community owners don't have unlimited ad dollars. But these testimonials work very effectively on community websites, direct mail, brochures, newsletters, etc. Resident quotes for sales and marketing:

- Provide Cash Return:

“Why tie up my money in land when other investments could supplement my monthly income?”

“I use the monthly cash from my investments to offset my living expenses.”

“By having the cash, we have the freedom to invest where we want.”

- On Ability to Obtain a Higher Rate of Return:

“I cannot control the rate of return on land.”

“Owning the land offers no financial security unless we sell it or borrow against it.”

Joe had some good ideas for obtaining testimonials, but he believes the best way is to have a third party tape a 10 to 15 minute conversation with a resident about the community, owning vs. leasing, etc. Maybe only one or two sentences will be used, but that is all that is needed for a testimonial. Be sure to have the customer’s prior permission for you to use anything said in the conversation for your marketing.

USE CHARTS AND ILLUSTRATIONS

As a park/community owner, you need to develop charts and illustrations demonstrating the customers’ savings by not investing in land but rather investing those same dollars into a CD or similar vehicle with compounding interest. Find the actual lot costs in your market and use average rates of return on investments like CDs. Design a Microsoft Excel (or similar) spreadsheet to enter various lot costs, interest rates and number of years to show the return on their money. Your customer needs to be well-armed with this information when he gets negative feedback from well-meaning friends, family and co-workers about moving into a park or community.

Develop charts and illustrations to compare monthly living expenses and savings on leasing the land vs. owning. Include savings on making interest payments on the land, real estate taxes vs. personal property taxes, assessments to improve the land, utilities included in the site rent, lower utility bills of energy efficient manufactured homes.

BE PREPARED WITH THE RIGHT QUESTIONS TO ENGAGE THE CONSUMER

Examples:

Why do so many people live on leased land?

Are homes in leased land communities a good investment?

What are some of the differences in leased land versus deeded land?

Do homes hold their value in leased land communities?

What services are included in the lease fee?

Finally Joe reminds us that stating the services included in the monthly site rent is not the same as RELAYING THE BENEFITS. It has to be communicated in a way that the customer can clearly see what is in it for him. Remember - people rarely change their opinion about anything without an overabundance of information.