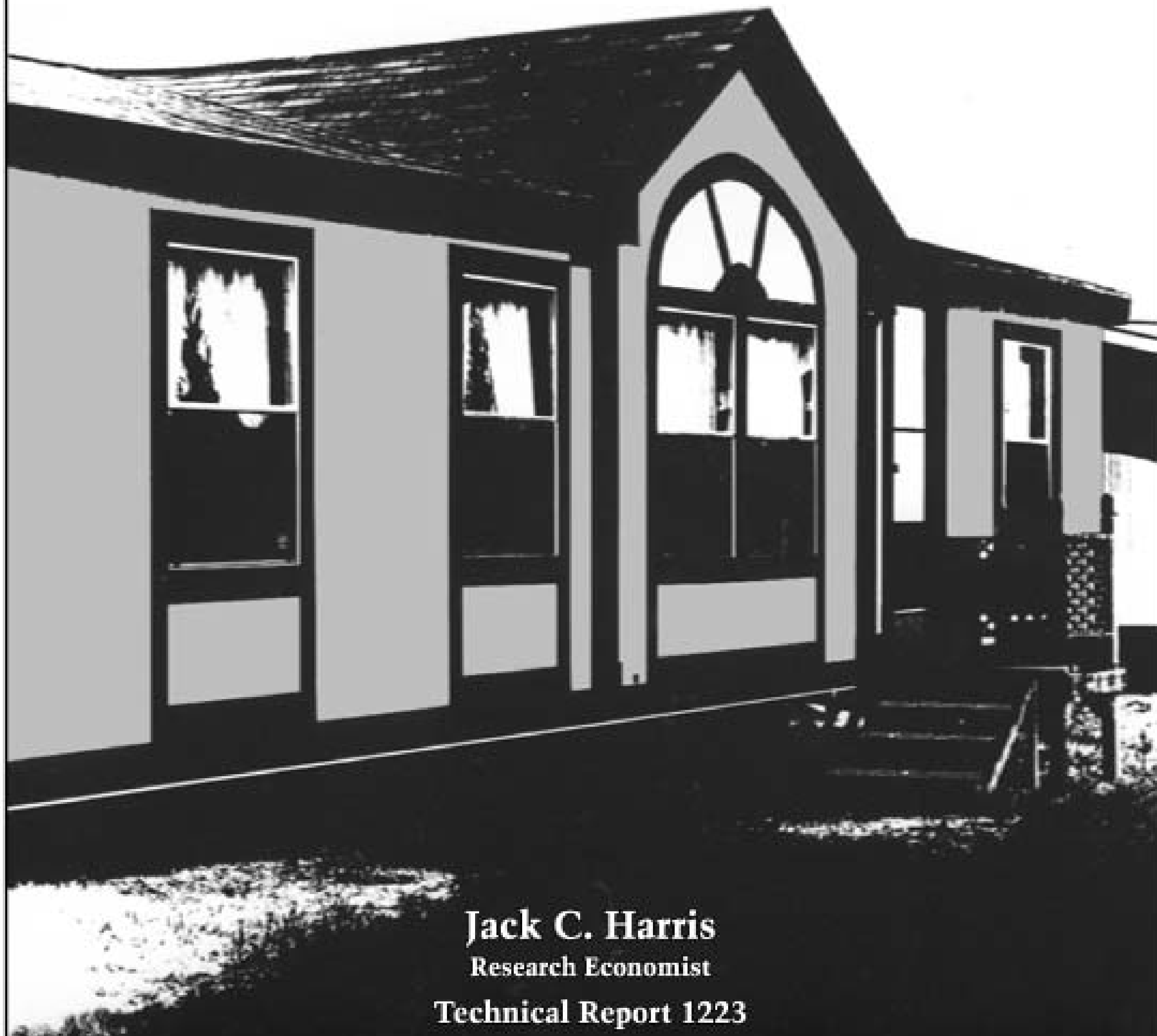
REAL ESTATE CENTER

Manufactured Home Community Development and Operations



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Manufactured Home Community Development and Operations

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REAL ESTATE CENTER
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Preface

This publication provides information about manufactured housing leasehold communities that rent sites. It is intended principally for those who wish to develop, operate and sell such communities.

The information is divided into two major sections. Section 1 explains development of the community from land acquisition to completion of construction. It includes land acquisition techniques, land characteristics, site improvements and financing the development of a community with construction and permanent financing. Section 2 discusses ongoing operation of the park. It offers suggestions for renting sites to tenants, managing the property in a cost-efficient way, servicing the debt and income tax matters. Thus, financial implications of the community are offered, along with income tax consequences of a sale. Appendix B includes preprinted forms and regulations.

The report could not have been prepared without information from people in the manufactured leasehold community and related businesses. The authors gratefully acknowledge the following for their time and effort: George Allen, GFA Management, Indianapolis, Indiana; Herbert Behrend, IRIC, Inc., Lake Forest, Illinois; Roland Freeman, AMERCORP, Dallas, Texas; Anthony E. Gange, United Farm Agency, Dallas, Texas; National Apartment Association, Washington, DC; Ed Hicks, Consultant Resources Group, Clearwater, Florida; Steve Sherwood, Clayton Williams & Sherwood, Fountain Valley, California; Pat Theroux, Branch Creek Estates, Austin, Texas; Craig White, Manufactured Housing Resources Group, Denver, Colorado; Charlotte Zimmerman, Texas Manufactured Housing Association, Austin, Texas; Marshall and Swift Publishing Co., Los Angeles, California.

This report allows manufactured housing community investors and operators to be more knowledgeable and efficient in supplying the market with needed facilities. Comments and suggestions are welcome.

Section 1
Developing the Property

Chapter 1
Land Acquisition and Control

When it comes to acquiring land for a manufactured housing community, there are two major concerns: selecting a location and acquiring control of the land.

Selecting a location

There are two basic approaches to selecting land for a manufactured housing community. One is to find the most suitable location in the general area desired, locate the owner and negotiate acquisition. The second is to identify all available tracts and select the best. In either case, a broker who is knowledgeable in this type of property can facilitate and expedite the process.

Location and site characteristics. Physical aspects of the land selection process are grouped into two broad categories: location and site characteristics. Important elements for both follow.

Convenience for dwellers. Success of a park is enhanced when it is conveniently located for potential occupants. Retirees prefer to be near health-care and shopping facilities. Working people are concerned mainly with proximity to employment, while college students are more interested in access to the campus. The location of schools, churches and other community facilities also needs to be considered.

Freeways. Locate a park near, but not adjacent to, a freeway. Proximity is desirable, but the freeway itself is just as objectionable as it would be to any other residential development.

Residential neighborhood. The preferable site is located adjacent to residentially zoned property. If the site is zoned for commercial or industrial uses, care should be taken to assure that it will not be subject to adverse influences. The park might be located between residential and light industrial areas but never in heavy industrial areas.

Planning and zoning. If the prepared site is within the jurisdiction of the city or county planning authority, be sure to receive their approval and requirements before major commitments are made. There are frequently many specific regulations and biases against manufactured housing parks within city limits. If the site is unzoned, exercise caution to prevent the park from being subjected to adverse influences and itself adversely affecting adjacent neighborhoods. Unzoned locations frequently create problems because undesirable businesses may be established nearby.

Health approvals. All sites must have the appropriate approval of local, county and state health authorities. (See *Utilities.*)

Access. Access to the site should be provided by means of an abutting, improved public street or road.

Land cost. Low-cost land resulting from a poor location or adverse physical conditions generally should be avoided. The additional marketing or construction efforts required frequently can more than offset the initial low price of the land.

Shape. Avoid a long, narrow site that will limit the design and layout of the streets. A straight street of more than 1,300 feet generally is not desired because it invites heavy or high-speed traffic.

Frontage. An attractive entrance to the development is desired, but extensive frontage on a major street is not necessary. Frontage of 100 feet is probably a minimum because allowances have to be made for curbing, sidewalks, entry street, parking and setbacks.

Utilities. Underground utility systems are preferred from an aesthetic viewpoint. Each space should be served by a central water and wastewater system. Individual septic tanks with drain fields may be permitted by county health authorities if lot sizes meet system requirements. Local municipality wastewater system connections may be available, provided municipal wastewater line capacity is adequate and the cost of connecting is not prohibitive. Private water and wastewater systems must meet state codes.

Drainage. The site must have adequate surface drainage. In some cases, low sites may be filled to improve drainage. Before doing any site preparation, make sure the land is not subject to federal wetland protection law (for more information, see publication 964, *Impact of the Federal Wetlands Act on Real Estate*). Also, if the development will impact a floodway, approval may be needed from the Federal Emergency Management Agency (FEMA).

Grading lots. Each lot must be graded so that surface water will drain away from the improvements.

Topography. The site should be reasonably level to accommodate the movement and siting of long or heavy manufactured homes. Excessive grades require lower lot densities and increase development costs.

Landscaping. Existing trees should be retained and protected where possible. However, their location should not interfere with the placement of the manufactured housing or with pedestrian or vehicular movement.

Soil tests. Tests for soil percolation, large amounts of rock and other detrimental subsurface materials should be made to establish engineering design requirements, estimate developmental costs and meet regulations.

Land acquisition and control

If the land is not already controlled by the prospective investor, several means may be used to gain control. These means may be classified into two fundamental categories: an option to purchase the land or a contract to purchase the land.

The choice of an option or contract depends on the wishes and negotiating strength of the parties. In either situation, a developer would want to gain enough time to allow physical and financial plans to materialize. This often requires as much as one year—perhaps longer if the parties must comply with extensive government regulations.

Option. An option to purchase the land gives the prospective buyer (optionee) the right to buy the land, at any time before the expiration date, at the price stated. If the optionee decides later that the site cannot be developed as anticipated, he or she could simply let the option expire, forfeiting the option cost.

In practice, the optionee gains control and fixes the land purchase price while getting an opportunity to explore the adequacy of the property to support a manufactured housing park—investigating utilities, streets and financing, for example. Necessary preliminary studies require time for completion. An option allows this to be done without a commitment to buy the land. A typical option lasts six months with an additional six month extension for an additional fee.

The option cost is negotiable between buyer and seller. The cost may reflect land value appreciation during the option period, another buyer offering a higher purchase price during the option period, the potential earnings that the seller will forego by having to wait for payment (assuming the option is executed) and the seller's risk that the prospective buyer will not execute the option.

In the negotiations, it is in the prospective buyer's interest to obtain agreement that a portion (and perhaps all) of the option price be applied toward the land purchase price (i.e., a down payment) if the option is exercised. Purchase-money financing or an installment sales contract could be combined with the option if the seller is willing to finance part of the purchase price.

Contract to purchase the land. Assuming the feasibility criteria are met (which will be covered in the next section), negotiation for purchase of the land may be finalized in a contract. The buyer must anticipate the source of site development financing in the land purchase contract negotiations. If funds are to be borrowed for site development, the land purchase mortgage must contain an agreement to subordinate the purchase mortgage to the development mortgage. (This is discussed further in the financing section.) There are a number of methods for financing land purchased using all equity or a combination of equity and debt.

All-equity purchases are cash deals with the purchaser paying the entire purchase price in:

- cash;
- cash, exchange or both of other property the purchaser owns; or
- cash obtained by joint venturing with one or more investors (often the seller).

Joint-venture arrangements should be set forth in a written agreement among parties defining the authority and liability of each. A joint venture differs from a partnership in the scope of the business transaction. A joint venture typically is for one business transaction, whereas a partnership may span more than one business.

If the buyer wants debt financing and the seller refuses to take back a subordinated purchase-money mortgage or offers terms inferior to a financial institution, third-party financing is required. Then, the buyer should expect a maximum loan-to-value ratio of 75-80 percent of the land's appraised value; that is, a minimum of 20 percent down payment would be required. The buyer also should expect the financial institution to require either a take-out commitment or a permanent loan commitment to liquidate the land purchase and site development indebtedness within two years.

Chapter 2
Feasibility Analysis

The entrepreneur's investment objectives, together with financial and nonfinancial criteria, should be established before the land purchase. Objectives might include: long-term investment in a manufactured housing park, interim-use investment in a manufactured housing park that will be razed in five to ten years for land conversion to a higher and better use, or short-term profit from development.

Some communities are developed as subdivisions where developed lots are sold to individual homeowners. Such projects provide high potential profits to the developer but depend on strong sales programs for success. Also, the developer needs to appeal to homeowners willing and able to purchase the lots. This guide does not cover that type of community.

Both financial and nonfinancial criteria form the basis for rational decisions regarding the proposal. Investment criteria examples are listed in Appendix A. The investor can establish the acceptable rate of return, risk measures and nonfinancial criteria. These become the decision rules in the feasibility analysis.

Three major cost barriers in manufactured housing park feasibility are: cost of land, cost of development (including design and construction) and cost of obtaining favorable zoning. Financing construction and operations is another important consideration.

The feasibility analysis is presented here in four categories: physical, economic, legal and political and social environment.

Physical

The considerations in Table 1, Manufactured Home Community Development Checklist, are important in analyzing the physical suitability of a site for manufactured housing development.

Surveys of portfolio owners and property managers indicate the average park has 247 sites. However, these parks do not include many of the smaller communities (less than 100 sites). Individual sites can run from 1,600 to 5,600 square feet depending on the quality of the park (see Chapter 3).

Economies of scale can be achieved in larger parks both in development and in operation. Large parks tend to command higher rentals and provide more community facilities. Park density affects park quality. Higher densities, that is, more units per acre, are less desirable to consumers. Larger lots are required to accommodate doublewides and large singlewide homes. The industry trend is toward larger lots. If the manufactured housing park is not targeted for older families without children, it is important that the design consider children.

There are two basic categories of manufactured housing parks: housing-oriented and service-oriented.

Housing-oriented park residents seek a residential atmosphere in a community convenient to shopping, schools and work. These parks provide good streets, underground utilities and landscaping, but many do not contain recreation facilities.

Service-oriented parks appeal to the retired and semi-retired, although some tenants may be families with school-aged children. These parks place special emphasis on social, cultural and recreational activities.

Economic

The economic feasibility of a proposed park is driven by the size of the potential rental market for manufactured housing space, the number of competing manufactured housing parks and sites in the market area, and the monthly payment for ownership of least cost, site-built housing.

The market size and inventory of competition may be gathered by a market study. A market study should reveal the supply (number of parks or sites, monthly rents and park quality, services and amenities). It also should show demand (population changes in target segment and economic base growth). The market study should show the estimated market share (occupancy rate in existing competing parks, estimated number of families that could be attracted from population increases or existing rental housing), as well as the tastes of users. The least cost, site-built housing market that would compete for occupants with the proposed park should be included in the market study.

The monthly cost of living in site-built housing needs to be compared with manufactured homes. Buyers must perceive that the savings offered by manufactured housing are justified. According to Edward Hicks, president of Consultants Resource Group, the total monthly cost to the user should be 15-20 percent less than least cost, site-built housing. This percentage was verified by manufactured housing park developers and brokers.

Land and site development are the principal costs of creating manufactured housing park space. Minimum site development costs can be achieved through efficient development.

While it is important to acquire land at a reasonable cost, the land must have desirable attributes including:

- location readily accessible by car or public transportation;
- large-scale, diversified employment within about 30 minutes travel time (not important for service-orientated development);
- location free from current or potential local hazards and nuisances;
- location within walking distance of schools or served by school bus;
- terrain adaptable to manufactured housing placement without excessive cutting, filling or grading;
- location near community facilities (shopping, services, recreation, churches);
- general area and population that reflect the tastes, preferences and overall lifestyle of the proposed development's residents; and
- surrounding areas future growth patterns that reflect a site potential of increased demand and more intense land use.

Legal and political

There are two critical areas that require careful attention at the outset of manufactured housing park consideration: zoning and community acceptability; and obtaining necessary permits, especially in ecologically sensitive areas.

Strong political resistance to rezoning applications for a manufactured housing park should be expected in zoned and incorporated areas of Texas. Furthermore, a U.S. Supreme Court ruling upheld Texas municipalities' actions to restrict the location of manufactured housing as a valid exercise of the city's police power. Therefore, in many urban Texas locations, manufactured housing

Table 1: Manufactured home community development checklist

Size and description

_____ Size of parcel—dimensions, boundaries (plot or survey map)
_____ Legal description
_____ Deed restrictions—covenants, easements (size and purpose)

Characteristics of site

_____ Highest and best use
_____ Topography
_____ Drainage features and runoff experience
    _____ natural runoff capacity
    _____ need for artificial drainage
    _____ need for flood protection
_____ Floodplain restrictions: 50-year, 100-year
_____ Subsoil—depth to bedrock and groundwater level
    _____ rock outcroppings
    _____ slide area
    _____ soil conditions and undesirable bearing materials
    _____ presence of fill material
    _____ presence of hazardous waste
_____ Other hazardous geologic features
_____ Buildable percentage of land
_____ Natural vegetation
_____ Bodies of water
_____ Gas and oil rights
_____ Underground water supply
_____ Site typical and representative of a residential site
_____ Land uses in neighborhood that degrade site desirability
_____ Estimated cut and fill; clearing and grading required
_____ Soil characteristics and use limitations for septic tanks, drain fields, foundations and footings, roads and roadways
_____ Cost estimate of off-site and on-site improvements to obtain finished lots

Characteristics of infrastructure

_____ Quality, adequacy and level of maintenance of municipal or county infrastructure
    _____ potable water source supply and adequacy
    _____ sanitary sewer system proximity and adequacy
    _____ electricity and gas service proximity
    _____ fire protection
    _____ police protection
    _____ time and distance to urban services and amenities
    _____ comparability of site with competitive sites
    _____ wastewater outfall lines
    _____ stormwater outfall lines
    _____ drainage directions
    _____ distance to existing potable water service lines

(Continued on next page.)

Table 1: *(continued)*
Manufactured home community development checklist

_____ distance to existing gas service lines
_____ distance to existing electrical lines
_____ municipal policies on sewer and water extensions
_____ municipal policies on street improvements

Location

_____ Proximity to central business district, regional shopping center, neighborhood shopping centers
_____ Proximity to and quality of schools: elementary, middle, high, parochial, college
_____ Proximity to churches, recreation centers, parks, theaters, hospitals, medical centers
_____ Proximity to incompatible uses (industrial, commercial)
_____ Public transportation
_____ Access to arterial streets and freeways
_____ Contemplated new roads, freeways, transporation facilities

Source: *Realty Bluebook,* Professional Publishing Co., San Rafael, California, 1996

communities may only be feasible in unincoporated areas.

The residents of the community and the board members of the permit issuing jurisdiction should be approached in the early planning stages to promote acceptance and learn precise engineering standards to be applied to the development. County authority over development in unincoporated areas includes roads, bridges, drainage, health and safety.

If it is decided that the community will be placed in a municipality, be prepared to make a strong case for the need for the project. Approval will require one or more public hearings, at which organized public opposition should be anticipated. Facts should be gathered to counter these common arguments:

- The homes will be of poor quality.
- There will be too many children for the local schools.
- The homes will not pay their way via local taxes.
- The project will create a crime and fire hazard.
- The project will lower the value of surrounding homes.

Work with local planning and engineering staff to counter these impressions and to modify your design to better accommodate local concerns. However, keep in mind the project must remain economically feasible after these changes have been made.

County locations often are not served by municipal water or wastewater lines. Consequently, provisions for water supply and wastewater treatment must be included in the development engineering design. Furthermore, the county health department specifies the minimum lot size for which a septic tank and drain field are permitted (often an acre or more is a minimum requirement). If the water supply provides water for more than 15 connections or service for more than 25 persons, then it is a public water supply and is regulated by the state. With these criteria, most manufactured housing parks of the kind considered in this report must be served by a public water supply and distribution system and incorporate an approved wastewater collection and treatment system.

Development of water supply and wastewater disposal and treatment systems is governed by the Texas Natural Resources Conservation Commission. Copies of their rules can be obtained at P.O. Box 13824, Austin, Texas 78711-3824, or call 512-463-5561. On the Internet, find the commission's home page at www.tnrcc.state.tx.us.

Social environment

In addition to aesthetic considerations, there are important questions regarding the character of the development that should be answered.

- Will the development be housing-oriented or service-oriented?
- Will it accept adults only?
- If children are accepted, are adult-only and families-with-children areas to be separated?
- Will pets be accepted? If so, what kind and how will they be regulated?
- Will there be manufactured housing size or value limitations?
- What age limit will be set for manufactured housings?
- What tenant manufactured housing resale policy will be set?
- What restrictions will there be on the number and type of vehicles permitted per manufactured housing space?

Figure 1: Worksheet for estimating maximum land cost

Goal: determine the maximum purchase price of the land

Given: monthly market rental per unit $ ____________

________________ units ÷ ________________ units per acre ____ acres required

annual amounts

potential gross income (PGI)	$ ____________
less vacancy allowance	____________
less operating expenses	____________
less debt service	____________
cash flow	____________

capital accounts

equity	$ ____________
loan	____________
total budget	____________
less development cost	____________
maximum land cost	____________

maximum land cost per acre $ ____________

Figure 2: Completed worksheet for estimating maximum land cost

Goal: determine the maximum purchase price of the land

Given: monthly market rental per unit $ 210

200 units ÷ 8 units per acre — 25 acres required

annual amounts (rounded to nearest 100)	
potential gross income (PGI)	$ 504,000
less vacancy allowance (estimated at 5% of PGI)	- 25,200
less operating expenses (estimated at 30% of PGI)	- 151,200
less debt service*	- 252,000
cash flow (minimum of 10% of equity)	75,600

capital accounts	
equity estimated	$ 756,000
loan estimated	2,475,400
total budget	3,231,400
less development cost ($8,610 × 200)	- 1,722,000
maximum land cost	1,509,400

maximum land cost per acre $ 60,376

*mortgage constant at 10.18% of amount borrowed

Figure 3: Worksheet for estimating minimum rental rate

Goal: determine minimum rental needed per unit

Given: _____ acres @ _____ units per acre = _________ units

Land cost __________ acres @ $ ____________ per acre = $ ____________

---

capital accounts

total land cost $ ____________

plus development cost ($ ____________ per unit × ____________ units) $ ____________

total cost $ ____________

minus loan $ ____________

equity $ ____________

---

annual costs

debt service (mortgage constant × loan amount) $ ____________

plus operating expenses $ ____________

plus cash flow $ ____________

equals annual cash needed $ ____________

plus vacancy allowance $ ____________

equals potential gross income $ ____________

---

estimated monthly rent per unit $ ____________

Figure 4: Completed worksheet for estimating minimum rental rate

Goal: determine minimum rental needed per unit

Given: 25 acres @ 8 units per acre = 200 units

Land cost 25 acres @ $ $30,000 per acre = $ 750,000

capital accounts

total land cost	$ 750,000
plus development cost ($ 8,610 per unit × 200 units)	$ + 1,722,000
total cost	$ 2,472,000
minus loan (estimated at 70% loan-to-value ratio 70% × 2,472,000 = 1,730,400)	$ - 1,730,400
equity (estimated at 30% of value 30% × 2,472,000 = 741,600)	$ 741,600

annual costs

debt service (mortgage constant × loan amount) (.1018 × 1,730,400)	$ 176,200
plus operating expenses (30% of GPI)	$ + 151,200
plus cash flow (minimum of 10% of equity)	$ + 75,600
equals annual cash needed	$ 403,000
plus vacancy allowance (5% of GPI)	$ + 21,200
equals potential gross income needed	$ 424,200

estimated monthly rent per unit $ 177

- Is organized recreation planned? If so, for what interest groups and ages will it be available?
- What landscaping and embellishments may be or must be added to the basic manufactured home site?
- Will management provide any services, such as garbage and trash disposal? If so, what service policies apply, such as hours, price and responsibility? If outside contractual relationships for service are to be established, what are the prospective firms' qualifications?
- What mechanisms will be provided for the safety and security of the occupants?
- Management policies may not seem pertinent to the development feasibility. They are vital to operation, however, and affect the cost of capital expenditures during development and to operating expenses upon completion.

Financial feasibility worksheets

In feasibility analysis, all costs associated with land purchase, plus development costs and estimated net monthly market rents are considered in evaluating the project's estimated economic value. If low occupancy is expected initially when expenses are high, the developer must have cash to meet debt services and operating expenses. The financial analysis may be performed on a worksheet as follows.

Figure 1 is used to estimate the maximum that can be paid for land. At this early stage of land acquisition, a developer might not have all the information needed to complete the form, but it may be completed as the information is obtained.

Figure 3 is used to determine the minimum unit rental rate needed. One should complete this when all costs can be estimated with some accuracy.

Figures 2 and 4 are completed worksheet specimens. They may be used as models to help determine project financial feasibility.

Figure 2 is an example of how to estimate the maximum price that can be paid for land in a development. A 200-unit park is planned with eight units per acre, so a 25-acre tract is needed. Suppose the market rent per unit is $210 per month. Potential gross income is $504,000 (200 units x $210 x 12 months). A reasonable vacancy allowance for this type of project is 5 percent, and operating expenses are expected to be 30 percent of potential gross income. These subtractions result in approximately $327,600 of net operating income. Suppose that a debt service coverage ratio of 1.3 is acceptable to permanent lenders. Then, the maximum debt service that a project can support is $252,000 ($327,600/1.3 = $252,000). If available financing carries a 25-year term and interest rate of 9 percent, the maximum that can be borrowed is approximately $2,475,400. There would be $75,600 in cash flow when the debt service payment is subtracted from net operating income. If equity investors can be attracted at 10 percent cash-on-cash return, then $756,000 of equity capital can be raised ($75,600/.10 = $756,000). The total equity and mortgage capital raised would be $3,231,400. Of the total raised, suppose total development costs are estimated at $1,722,000, which is $8,610 per pad for a 200-unit park of good quality. That will allow $1,509,400 to be spent for land. Dividing the $1,509,400 available for land by the 25 acres results in maximum per acre land cost of $60,376. Of course, if the land is available for less, the difference will be more potential profit.

The objective in Figure 4 is to determine the minimum rental rate required for a viable project. The amount can be compared to market rents to determine whether rents are sufficient to create a viable market. Assume the land cost is $750,000. Development costs of $1,722,000 bring the total project cost to $2,472,000. If a loan at 70 percent of that amount is available, then approximately $1,730,400 can be borrowed; the balance, $741,600, must be raised through equity. The debt amount, multiplied by .1018 as a mortgage constant, shows an annual debt service requirement of about $176,200 ($1,730,400 x .1018), and equity would require a 10 percent cash return on $741,600, which is $75,600. Net operating income must be at least $251,800 ($75,600 + $176,200). If operating expenses are estimated at $151,200 and vacancy loss at $21,200, then total operating budget requirements are $424,200. That amount requires a monthly rental rate of approximately $177 for a 200-unit project. If the market will support $180 per month, then the proposed project is feasible. More amenities could be put into the project, or it appears that a developer could raise more cash that could be withdrawn as development profit.

The feasibility analysis could use more sophisticated analytical techniques including discounted cash flow analysis. Screening criteria may be used. Examples of investment criteria are presented in Appendix A.

Chapter 3
Improvement Costs and Character

When it comes to developing a manufactured housing park, the cost and character of improvements are of paramount concern. There is an extremely wide range from which to select. Both costs and improvements are examined in this chapter.

If the community is to be developed in an unincorporated area, be aware of a new (1999) law that gives county commissioners authority to set development standards for:

- drainage management,
- water supply systems,
- sewerage systems,
- surveys and
- streets.

By law, these standards cannot be more stringent than those applied to residential subdivisions. See section 232.007 of the Texas Local Government Code.

Costs of parks

A cost estimation service may be used to help estimate the cost of a proposed manufactured housing park. Two widely used cost estimation services are offered at reasonable costs. These are:

Boeckh Building Cost Manual,
2885 South Calhoun Rd.
New Berlin, WI 53151

Marshall Valuation Service
911 Wilshire Blvd.
16th Floor
Los Angeles, CA 90017-3499

To recognize purchasing power changes, estimates offered by these services must be adjusted for local market cost variations and for time.

Sample of cost estimation service. Marshall Valuation Service offers cost estimates for manufactured housing parks of five quality types. These are cheap, low-cost, average, good and excellent. A description of each quality classification follows. Costs are estimated in Exhibits 1-5. The material is copyrighted by Marshall and Swift, 911 Wilshire Blvd., Los Angeles, as of July 1996 and is reprinted with permission.

Cheap parks. Typical sites are developed for transient use in outlying rural or resort areas where there are no building codes or minimal code enforcement. They have close spacing, few facilities beyond minimum subsistence level and are designed for smaller trailers and recreational vehicles. The base area per trailer space is 1,600 square feet, and the base number of spaces is 50. See Exhibit 1.

Low-cost parks. Typical sites are developed for transient or semi-permanent occupancy in seasonal resort areas or near industrial or military areas. They are usually designed to hold car-drawn trailers up to 45 feet long. The base area per site is 2,400 square feet, and the base number of spaces is 80. See Exhibit 2.

Average parks. These parks are built more or less for permanent occupancy and represent the low-end mid-point for permanent parks. They have spaces to accommodate the manufactured house as long as 60 feet, as well as large, transient trailers. They have utility buildings, office, recreation buildings and other recreation facilities that may be computed from other sections of the service. The base area per site is 3,200 square feet, and the base number of spaces is 100. See Exhibit 3.

Good parks. The typical good park is a manufactured housing park catering to owners of larger manufactured homes and represents the median for permanent parks. Private patios, gardens and complete recreational facilities are provided. The base area per site is 4,400 square feet, and the base number of spaces is 175. See Exhibit 4.

Excellent parks. The excellent manufactured housing park provides deluxe accommodations for the largest site-erected manufactured home units and represents the high-end midpoint for permanent parks. It has complete and varied recreational facilities of top quality. The base area per site is 5,600 square feet, and the base number of spaces is 200. See Exhibit 5.

Introduction. The park costs in Exhibits 1-5 are divided into five quality classifications ranging from the cheap, transient park to the highly-developed manufactured housing park designed for permanent living. Many parks will be mixed in quality. They may have good quality buildings, recreational facilities and low-cost utilities or roads, or they may have few extra facilities, large patios and good roads. For these hybrid parks, the costs of the various items should be chosen from the quality of the park where they normally would be found.

The costs are for organized commercial parks and do not include the poorest resort types, which merely provide a parking space and some common facilities, such as restrooms and water. The medium costs for each classification are listed.

Costs are broken into major items on a cost-per-home-space basis. Miscellaneous costs—such as cost of normal financing, contractor's profit and overhead—are prorated to each item. Architect's and designer's fees are included in the engineering costs for all items except buildings, the costs for which will include all fees applicable to structural improvements. Advertising and other promotional expenses are not included. Local jurisdictional fees or assessments are not included and must be obtained locally.

For hillside parks, the cost of grading and terracing the sites must be added. Also, other costs such as paving, sewers and water will be higher for hillside installation.

Off-site costs are not included. These may include costs of bringing utilities to the site, storm drains, access roads, traffic control and environmental impact studies.

Cost modifiers. Costs of each quality of park have been adjusted to a base number of units that is roughly normal for the quality. Under the base costs for each quality, multipliers are given to adjust costs for deviations from the base. To determine the gross area per unit, divide the entire improved area of the park by the number of units.

Exhibit 1: Cost calculators for cheap parks

engineering	
minimum plans, engineering and permits	$ 180
grading	
minimum leveling, graded for drainage, cleared	145
street paving	
minimum asphalt, natural base, 15' to 20' wide, paved parking areas	355
patios and walks	
small asphalt patios or handstands, walks around buildings	200
sewer	
3" to 4" clay, few traps or vents; cesspool and septic tank are included	280
water	
2" mains, service to common hydrants and buildings, no trailer hook-ups	225
gas	
none, except bottled gas (not included)	—
electrical	
low-amperage circuits, overhead wiring, simple outlets at trailer sites; no telephone	305
buildings	
restrooms and showers, laundry, office, lowest-cost frame or concrete block, cheap fixtures and partitions	690
miscellaneous	
sign, minimum landscape and entrance	135
cheap park	
cost per space	$2,515

modifiers:

number of spaces	**10**	**20**	**30**	**40**	**50**	**60**	**80**	**100**	**120**
multiplier	1.12	1.08	1.05	1.02	1.00	.98	.95	.93	.91

gross area per space	**800**	**1,000**	**1,200**	**1,400**	**1,600**	**1,800**	**2,000**	**2,400**	**2,800**
multiplier	.86	.89	.93	.96	1.00	1.03	1.06	1.12	1.18

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Description of cost items

- *Engineering* includes plans, engineering, public fees and permits and design and specifications of the park, exclusive of buildings.
- *Grading* includes leveling the site for drainage and roughing out roads but does not include excavation and terracing for hillside sites. It normally includes some leveling of the sites in the average and good quality parks.
- *Street paving* includes base preparation and paving.
- *Patios and walks* include all flat work except street paving.
- *Sewer* includes all on-site work but does not include sewage disposal systems, off-site connections to the trunk line or connection charges, except for septic tank and cesspool which are included in the cheap quality. Storm sewers are not included.
- *Water* includes all on-site mains, site service and sprinkler systems but does not include wells, pumps or off-site connections to other sources.
- *Gas* includes all on-site mains and site connections, as well as connections to buildings but does

not include gas, plumbing in buildings or off-site mains.

- *Electrical* includes all on-site conduit, electrical and telephone wiring, trailer-site outlets, street lighting commensurate with the quality and area lighting. It does not include building lighting or off-site connections.
- *Buildings* include structures commensurate with the quality and size of the parks. It often is better to compute these from other sections of the manual. These costs also include all building design costs and plumbing and electrical items for buildings.
- *Miscellaneous* includes an average amount of entrance ornamentation, signs and common landscaping commensurate with park quality. Outdoor recreation facilities, swimming pools, tennis courts and ornamental lakes and ponds always should be computed as extra. Recreational equipment, game tables and kitchen equipment are not included. Off-site signs are not included.

Exhibit 2: Cost calculators for low-cost parks

engineering	
limited plans and specifications, survey of site, fees and permits	$ 340
grading	
graded for drainage, roads roughed in, site cleared and minimum site leveling	275
street paving	
18- to 22-foot roadway, 2” asphalt on natural base, no curbs or edging, common parking area	550
patios and walks	
average 200 square feet of low-cost concrete or asphalt for patio or parking, some walks near buildings	360
sewer	
4” lines, 6” mains, minimum code, simple layout	435
water	
3” mains, 3/4” service, hydrant at each two spaces	365
gas	
none to trailer spaces; low-pressure gas to utility buildings and office	170
electrical	
overhead wiring, 30 to 80 amperes per space; some street lights; speaker system; telephone booth (not included)	540
buildings	
utility, showers and restrooms, laundry, office	935
miscellaneous	
sign, low-cost landscaping, some masonry or concrete work around entrance; swimming pool is not included	285
low cost park	
cost per space	$4,255

modifiers:

number of spaces	**30**	**40**	**50**	**60**	**80**	**100**	**120**	**140**	**160**
multiplier	1.10	1.07	1.05	1.03	1.00	.97	.95	.93	.91
gross area per space	**1,200**	**1,600**	**2,000**	**2,200**	**2,400**	**2,600**	**2,800**	**3,200**	**3,600**
multiplier	.83	.89	.95	.97	1.00	1.02	1.05	1.09	1.12

Character of design

A manufactured housing park is a residential development similar in many ways to other residential developments such as apartment complexes, condominiums or single-family subdivisions. In general, residents want the same things—a good neighborhood and attractive surroundings in which they can take pride.

Standards for Manufactured Home Installations, including manufactured home sites, communities and set-ups, are in ANSI A225.1, available from:

National Conference of States on Building Codes and Standards
505 Huntmar Park Dr.
Suite 210
Herndon, VA 20170
703-437-0100
http://www.ncsbcs.org

The development of a manufactured housing park may have a substantial impact on various groups within a community. The general public is affected by the taxes generated and the public services required. The location and design of the park affects the residents' quality of life, the developer's cost, the investor's profits, the lender's collateral and the park manager's operating efficiency. Suggestions for development are grouped in five categories to help present generally accepted standards for a manufactured housing park. These include:

Exhibit 3: Cost calculators for average parks

engineering	
detailed plans, site survey, simple specifications, permits, fees and bonds	$ 485
grading	
graded for drainage, roads roughed in, some trailer-site leveling	420
street paving	
22 to 26 feet wide, 2" asphalt on good base, some edging or curb, some common parking	710
patios and walks	
average 300 square feet of concrete for patios, hardstands and walks near buildings	535
sewer	
4" service, 6" mains, adequate vents, good code installation	590
water	
3"- 4" mains, valve connection and hydrant at sites	485
gas	
low-pressure gas to all sites and buildings	260
electrical	
underground conduit, 60 to 100 amperes per site; telephone extensions in buildings and some sites; speaker system; lighted recreation	770
buildings	
utility, laundry, recreation, public restrooms	1,270
miscellaneous	
adequate landscaping and sprinklers, some masonry ornamentation, average sign and entrance; outdoor recreational facilities are not included	475
average park	
cost per space	$6,000

modifiers:

number of spaces	**40**	**60**	**80**	**100**	**125**	**150**	**175**	**200**	**250**
multiplier	1.10	1.06	1.03	1.00	.97	.95	.93	.91	.89
gross area per space	**2,000**	**2,400**	**2,800**	**3,200**	**3,600**	**4,000**	**4,400**	**4,800**	**5,200**
multiplier	.89	.93	.97	1.00	1.03	1.05	1.08	1.10	1.12

- park layout, size and density;
- lot stands and patios;
- streets, parking and walks;
- offices, service buildings and recreational facilities; and
- fences and miscellaneous improvements.

Much of the following material has been gleaned from the sources listed as references to this chapter.

Park layout size and density. Plans for the park should attempt to achieve a residential-like atmosphere at a reasonable cost. Care must be given to plans for streets, entrances, lot sizes, densities and prospective tenants' needs and desires.

Street layout. Park layouts with current curvilinear streets and cul-de-sacs, similar to other residential subdivisions, are preferred because they permit advantageous use of grade differences and other natural features. The gridiron street is monotonous.

Entrance. One main park entrance allows more efficient control by management.

Submarkets. If the park caters to different social groups, such as retirees and young couples with children, different sections of the park should be designated for each group.

Manufactured housing sales. If the developer also is a manufactured housing dealer, it is preferable not to use the front of the development as a retail sales lot. These lots often are unattractive because of traded-in manufactured homes. The sales lot should be nearby but not on the park proper unless the dealer-developer wishes to merchandise the homes by placing them on landscaped spaces similar to conventional model homes.

Lot size. A minimum lot size of 40 by 90 feet is recommended for each manufactured housing space. However, local customs may dictate a minimum size, such as 4,000 square feet, to provide for double-wide and expandable homes.

Density. Including streets, recreational areas and service facilities, an overall density of no more than eight lots per acre frequently is recommended in development guidelines.

Set backs. Each home should be set back at least 10 feet from the street and the rear lot line and at least 20 feet from neighboring manufactured homes. All manufactured homes should be located at least 25 feet from any public street or highway and at least 15 feet from the park boundary lines.

Park size. An efficiently manageable park has between 100 and 300 spaces.

Lot stands and patios. Some suggestions for lot stands and patios follow.

Stand area. To accommodate modern units, the stand area of the lot should be at least 14 by 70 feet.

Stable base. When each stand is surfaced with gravel or pavement, a stable base for the manufactured housing is provided. This also helps control weeds.

Foundation. An adequate foundation for the placement of tie-down anchors is needed to prevent homes from shifting in high winds.

Patio area. For each stand, a paved patio area of at least 180 square feet should be provided. The patio must be convenient to the entry of the manufactured home and appropriately related to the open area of the lot.

Streets, parking and walks. Vehicular movement and pedestrian convenience are necessary. Careful attention to these during the design phase will be appreciated by users.

Street system. Properly located collector streets feeding traffic to the minor streets providing convenient circulation is desirable.

Access. Streets must provide easy access to each manufactured housing stand and other important park facilities.

Curbs and pavements. Streets should be curbed, paved and wide enough to serve two-way traffic. All entrance streets and other collector streets with guest parking on both sides should be at least 36 feet wide. Collector streets with no parking should be at least 22 feet wide. Minor or cul-de-sac streets may be narrowed to 20 feet.

Parking. Off-street parking should be provided for 1½ cars per stand. Intermittent guest parking for at least one additional car per lot also is recommended. Parking stalls frequently can be located near the recreational building. These stalls can serve as guest parking also.

Walkways. Ideally, paved walks are provided from all streets to each manufactured housing stand, patio and parking area. Walks that would rarely be used should be avoided because of the expense involved. Walks with efficient and attractive lighting on at least one side of all major streets are recommended.

Offices, service buildings and recreational facilities. The following locations are suggested for commonly used facilities.

Consolidation of service facilities. For small-to-medium sized parks, the grouping of the office, supply, storage, laundry and community facilities into a single building will improve the efficiency of park operations. A large storage building may not be needed if tenants are provided individual storage facilities on each lot.

Exhibit 4: Cost calculators for good parks

engineering	
complete detailed plans and specifications, permits, fees, bonds and survey	$ 705
grading	
graded for drainage, view and appearance, roads roughed in	645
street paving	
good 3" asphalt roadways on prepared base, 26 to 32 feet wide, edged or curbs, parking areas for visitors and extra cars	1,040
patios and walks	
home stands, patios and car stands; average 450 square feet of concrete per space, including walks around buildings and recreation areas	795
sewer	
4" service, 6" mains, 8" trunk, good code installation, well-vented and trapped	755
water	
4"- 6" mains, good valve connections and hydrants at sites	690
gas	
low-pressure gas to all sites and buildings	410
electrical	
underground conduit, 80 to 150 amperes per space; good street lighting and lighted recreational areas; costs include telephone connection boxes at sites and cable TV systems	1,120
buildings	
office, recreation, laundry	1,625
miscellaneous	
above average landscaping and sprinklers, signs, masonry ornamentation and walls; outdoor recreational facilities are not included	825
good park	
cost per space	$8,610

modifiers:

number of spaces	**50**	**75**	**100**	**125**	**150**	**175**	**200**	**250**	**300**
multiplier	1.17	1.12	1.08	1.05	1.02	1.00	.98	.96	.95
gross area per space	**2,800**	**3,200**	**3,600**	**4,000**	**4,400**	**4,800**	**5,200**	**5,600**	**6,000**
multiplier	.91	.93	.96	.98	1.00	1.01	1.03	1.05	1.06

Exhibit 5: Cost calculators for excellent parks

engineering	
complete detailed plans and specifications, permits, fees, bonds and survey	$930
grading	
graded for drainage, view and appearance, roads roughed in	890
street paving	
good 3" asphalt roadways on prepared base, 26 to 40 feet wide, edged or curbs, finished parking areas for visitors and extra cars	1,375
patios and walks	
home stands, patios and car stands; average 675 square feet of concrete per space, including walks around buildings and recreation areas	1,185
sewer	
4" service, 6" mains, 8" trunk, good code installation, well vented and trapped	900
water	
4"- 6" mains, good valve connections and hydrants at sites	875
gas	
low-pressure gas to all sites and buildings	575
electrical	
underground conduit, 100 to 200 amperes per space; good street lighting and lighted recreational areas; costs include telephone connection boxes at sites and cable TV systems	1,470
buildings	
office, recreation, arts and crafts, laundromat	1,800
miscellaneous	
generous amounts of landscaping and sprinklers, large signs, masonry ornamentation and walls; outdoor recreational facilities and ornamental lakes and ponds should be added	1,225
excellent park	
cost per space	$11,225

modifiers:

number of spaces	**50**	**100**	**150**	**175**	**200**	**225**	**250**	**300**	**350**
multiplier	1.18	1.10	1.04	1.02	1.00	.99	.98	.97	.97

gross area per space	**4,000**	**4,400**	**4,800**	**5,200**	**5,600**	**6,000**	**6,400**	**6,800**	**7,200**
multiplier	.95	.97	.98	.99	1.00	1.01	1.01	1.02	1.03

Recreational area. Recreational areas that generate noise should be as far away from homes as possible to lessen interference and minimize obstructions of the view. Park areas designated for small children should be near homes.

Amenities. Typical amenities might include a clubhouse, swimming pool and basketball, tennis and shuffleboard courts.

Laundry facilities. A central laundry building should be provided. It should be decorated and landscaped in keeping with the overall appearance of the park.

Clotheslines. If clotheslines and drying areas are necessary for the individual lots, uniform umbrella-type lines are preferred. Park regulations should govern their location.

Fences and miscellaneous improvements. The park's safety facilities and auxiliary equipment should be designed attractively.

Appearance. Fences around play areas, laundry areas and other public areas should be decorative. Chain-link fences gives an institutional look and should be avoided. The one exception is the swimming pool, where chain-linked fencing provides safety and visibility.

Lot fencing. A feeling of openness is encouraged; therefore, lot fencing is not recommended.

Landscaping. Landscaping should be planned for an overall effect. Avoid monotony. Landscaping by tenants should require the park manager's prior approval.

Obstructions. Lawns and trees should be provided for individual lots and placed so that they will not hamper the movement or placement of the manufactured housings within the park.

TV antenna. A central TV antenna or cable system is preferred.

Mailboxes. Uniform and attractive mailbox facilities with easily-read numbers should be provided for each lot.

Car wash and storage. A car-wash facility and storage area for boats and utility trailers should be located at the rear or corner of the park to minimize the effect on adjoining sites. This area should be fenced and locked, and each user should have a key.

Management offices. Management offices should be located near the entrance. This aids operational efficiency and ingress-egress control.

Common access. All buildings should be accessible to both automobiles and pedestrians.

Playgrounds. Playground areas should be convenient to all lots in the family section. Traffic hazards should be avoided.

Chapter 4
Financing the Development

In most cases, development of a land-lease community requires deficit spending. Fortunately, the market for development financing is well developed and the procedures for securing financing are not unlike those for other types of real estate development. The process of developing a manufactured home community is similar to that of a residential subdivision, and financing can be approached in the same way. Essentially, the developer must gain control of a suitable site and construct the necessary facilities and utilities to make the community operational. The steps in the financial process include land acquisition, obtaining a development loan and securing a permanent loan commitment. Often, however, these steps are combined into one financing package.

Land acquisition

The land may be acquired with a portion of the development loan (in this case, an "acquisition and development loan") or prior to securing financing for the construction process. However, a problem can occur when the land is acquired with financing that is completely separate from the development loan. A lender will require any liens on the land to be subordinated to construction debt so that the land can serve as security for the construction loan. Lenders financing the land may resist subordinating their claim to another lender's interest (thereby accepting a higher risk position). Therefore, provisions for subordination should be negotiated into the land acquisition loan, or an alternative method of acquiring the land must be used.

Cash purchase. A cash acquisition avoids the subordination problem by eliminating the land loan entirely. The limitation to this solution is that, often, the developer would prefer to reserve as much cash as possible for the construction phase of the project. Land costs may represent a major cost of the entire development, making the option impractical for even a well-capitalized developer. However, there may be special cases where the developer already owns the land or can acquire the land at a low price. The unimpeded negotiating position made possible by cash may lead to a low price for an appropriate site.

Seller financing. It is not uncommon to purchase land with the seller providing much or all of the financing. Typically, the buyer gains control of the land with a minimal cash payment and an obligation to pay the remainder of the price, plus interest, over a five-to-ten-year period. This arrangement allows the developer to minimize front-end expenses and allows the seller to take advantage of installment sale treatment of any capital gains generated from the sale. The specific terms of the sale including price, interest rate and amortization can be negotiated to suit the needs of both developer and seller. As mentioned previously, it is essential that the seller agree to subordinate the lien to any construction loan obtained later.

Joint venture. Some landowners may be willing to become even more involved in the project through a joint venture. With this arrangement, the landowner contributes the land and the developer provides expertise in developing the project. The parties divide all profits generated from the sale or operation of the developed property. The developer avoids the cost of acquiring the land, and the landowner gains the potential for a much higher price for the property (as well as being exposed to a higher level of risk). Joint ventures must be carefully negotiated and documented to avoid conflict and legal obstacles to successful completion of the project. In particular, the following issues should be addressed in any agreement:

- allocation of ownership,
- responsibility for payment of fees and expenses,
- form and timing of return due to landowner,
- form of business organization (i.e. limited liability corporation or S-corporation) and
- decision-making authority.

Land lease. Rather than sell, the landowner may be willing to lease the land during the development period or on a long-term basis. Like seller-financing, the terms of the lease can be negotiated to serve the needs of the developer and landowner. A lease eliminates the need for a cash down payment, thereby conserving developer funds. It also eliminates the realization of taxable capital gains by the seller, as long as the lease terms are not structured to constitute a de facto sale from the viewpoint of the Internal Revenue Service. However, an arrangement will need to be reached with the landowner to allow the land to serve as collateral for development financing.

Development financing

Financing for a large portion of development costs can be arranged through local lending institutions or mortgage brokers. Construction lenders look to several sources to reduce their risk in the project. First, the track record and reputation of the developer indicates that the project is in competent hands and that the borrower has demonstrated a level of responsibility and ethical behavior. Second, the project should make sense on paper. Most frequently, a formal feasibility study must be provided to support a request for funding. Third, most construction lenders will require a "take-out" commitment from a permanent lender. This commitment is an agreement from a lender to provide long-term, permanent financing for the project at the conclusion of the construction phase. In effect, this permanent loan provides funds to repay the construction loan, thus taking out the construction lender when the project is complete. When a take-out commitment is provided, the construction lender is less interested in the feasibility study but the permanent lender will require such reassurances. Lastly, the construction lender will want a lien on the land as security against default during the development process.

The construction lender typically requires a priority position in the lien structure on the land. That is why any loan used to acquire the land separately from the construction loan must be subordinated. Depending on available terms, the developer may decide to refinance the land as part of the development loan, thereby resolving the subordination problem. If the land is not refinanced, the construction loan may take the form of a five-to-seven-year interim loan providing ample time for development and start-up before the permanent loan goes into effect.

The permanent loan takeout commitment is contingent on the attainment of specified performance thresholds. Typically, a specified level of occupancy is required to qualify the project for the permanent loan. If the target level is not attained by the time the construction loan term expires, the permanent lender does not have to honor the commitment. There will also be an up-front fee paid to the permanent lender for the commitment. Some lenders may offer packages that combine the construction and permanent loans (see the end of this chapter for information on FHA insurance for such loans). Permanent lenders typically fund 75 to 80 percent of the value of the completed project and charge interest rates comparable to loans on other types of income properties.

The application package designed to secure a permanent loan commitment should address the following concerns:

- appearance and design features of the project;
- evidence that the developer is ready to proceed (site control, plans, government clearances);
- capital needs during development;
- evidence of market support (supply and demand, absorption projections);
- land value appraisal;
- developer credentials;
- pro forma operating statement; and
- project marketing plans.

If all goes well, the developer will receive the permanent take-out commitment and the construction loan commitment. The commitment letter will specify all conditions of the loan, how much and when funds will be dispersed and the interest rate and term of the loan. Usually, construction loans are paid out according to a loan draw schedule designed to provide money only as it is needed to progress through the development process.

Because manufactured housing land-lease communities are a good source of affordable housing, the federal government often assists those who develop or rehabilitate (may be in conjunction with acquisition or refinancing, not for second mortgage loans) such properties. Under the Section 207(m) program, the Federal Housing Administration (FHA) insures loans for these purposes on communities of at least eight spaces. The maximum loan amount is $9,000 per space, although in areas of high housing costs, the limit may be increased by as much as 140 percent. In addition, the total loan cannot exceed 90 percent of the value of the completed project. Debt service cannot exceed 111 percent of projected net operating income. The insurance covers both the construction and permanent loans, with terms as long as three years for construction and 40 years for the permanent loan. Insurance should make the job of finding a lender much easier. Also, the loans are non-recourse and assumable to subsequent purchasers. These loans are for land-lease communities only, though coop arrangements may also qualify. The homes must be HUD-code homes, not those custom built according to local building codes.

Anyone interested in securing FHA insurance for a project should contact the local field office for forms and details on the application process. Field offices in Texas are located in:

- Dallas (214-767-8300)
- Houston (713-313-2274)
- Lubbock (806-472-7265)
- San Antonio (210-472-6806).

Section 2
Operating the Property

Chapter 5
Leasing Space to Users

Leasing a manufactured home community space should be treated in essentially the same manner as renting a single-family, detached residence. The main difference is that the manufactured home community tenant moves the entire home with furnishings to the site rather than just home furnishings.

This chapter describes many of the considerations of leasing space in a manufactured home community. It includes setting rent levels, advertising and marketing, qualifying tenants, leasing and lease consideration. Much of the material in this chapter has been drawn from the references cited at the end of this publication. Special appreciation is owed to the National Apartment Association (NAA) and the Texas Manufactured Housing Association (TMHA).

Setting rent levels

The park manager markets rental space by matching services of the unit (such as location, life-style amenities and cost) to the specific needs and requirements of prospective tenants. The first step is to develop and maintain a current rental rate schedule for the subject property by keeping abreast of local market conditions for comparable lots. In addition to the rental rate, attention should be given to the number of vacant units for rent and concessions provided to tenants.

Survey. The best way to determine lot rental rates is to conduct a market survey of parks in similar neighborhoods and those competitive with the subject park (including proximity to work and shopping, park size, amenities, lease terms and level of upkeep). Rates for currently-vacant lots set the market price; do not be concerned about the rates that are charged for occupied units that are not currently available. The best way to assess competition is simply to check newspaper advertisements, ask other owners and inspect vacant properties personally.

Maximize income. The objective of a manager is not necessarily to have 100 percent occupancy but to have maximum annual income from the lots; there are trade-offs between increasing the rental rates and decreasing the occupancy rate. In fact, if a manager consistently experiences an occupancy rate of 100 percent, the rental rates are probably too low.

Rent reviews. Another issue relating to setting rent schedules relates to how often the rent levels should be changed or reviewed. Of course, the rental rate on a given lot cannot be raised during the term of the existing lease, but manufactured housing park leases expire continuously. Managers should compare their rates with those of the competition at least every six months. Some managers want to keep abreast of the market continually and consider adjusting their rental rates every time a lease expires. Theoretically, the appropriate length of time between reviews varies with the changing level of area economic activity and housing conditions.

A rapidly changing economy or a changing housing stock probably requires a short time between rent reviews, if profits are to be maximized. Because conducting a market survey of comparable units requires time and effort, 12 months or more might be sufficient in an economy in which supply and demand for housing units is slow to change.

Once rental rates have been established, the manger must focus on the best way to market and advertise the units. It generally is desirable to maintain a certain amount of similarity among tenants in each group of rental units, such as single adults only, young couples with children, retired couples, white-collar workers or students. Advertising policy determines which medium should be used and what message should be conveyed to attract desired tenants.

Advertising and marketing the park

Because advertising is telling about the community and product, marketing techniques for a manufactured housing park and an apartment complex are similar. The NAA stresses that the best advertising available will accomplish four things. It will draw attention, arouse interest, create desire and stimulate action. Advertising a manufactured housing park is done to cure a current vacancy problem, ensure against a future problem or both. Problem-solving advertising tries to raise the park's occupancy rate and generally will be found in newspapers, radio-TV, billboards, direct mail and apartment-locator services. Institutional advertising promotes the general reputation of the park and frequently is found in telephone directories, chamber of commerce annuals or on give-away promotional items, such as key rings, pencils and calendars.

Spending. The advertising budget depends on the park's development stage and current problems. Because advertising is expensive, NAA recommends keeping an accurate evaluation of its impact on prospective residents. Pertinent information includes the following:

- How many people visited the park?
- How many telephone inquiries were received?
- How did the prospects find the park?
- What are they looking for?
- How many qualified?
- How many leased spaces?
- Are various advertising programs effective?
- Are leasing techniques working?
- Is quality traffic attracted?
- Is an adequate traffic-flow developed?
- Is sufficient walk-in traffic generated?

These data should be tallied at least weekly so the following issues can be evaluated.

Telephone. The office telephone is an excellent marketing tool. Use it to make appointments to show property. If the prospect does not show, call and reschedule the appointment.

Maintenance. Curb appeal is what the public sees when they drive by a park and is one of the most valuable sales tools. The NAA advises that the park be "clean and green." It is the manager's responsibility to see that the grounds are maintained according to the owner's standards.

Signs. The signs for the park should be placed so the public can easily and quickly find the office, recreation building and individual addresses. Try shopping the competition—see how long it takes to find their office.

Lighting. In today's society, lighting is not just decoration. The concern for security makes it a must. Outside lighting must be checked routinely. Furthermore, when lights are out, accidents are more likely, and owners are more vulnerable to lawsuits.

Appearance. Common areas of the park are shared by residents and inspected closely by prospects. These facilities should always be clean and in good repair. The office generally is the first place a prospect sees and it will leave a lasting impression. The public areas of the office should always be clean, neat and organized. Managers are not just leasing manufactured housing lots; they are marketing themselves, their company and the park community.

Attitude. To sell itself and the park community, management must strive to communicate positively and enthusiastically. NAA counsels managers to be sincere, know the product and have a genuine interest in prospects.

Service. Special attention paid to treating all applicants and existing tenants well and providing excellent service contributes to the promotion of the community. A satisfied customer is the best type of advertising. Neglected tenants can create an unwelcome atmosphere and contribute to management problems.

Leasing

If marketing and advertising programs have been successful, the property manager will have many people interested in renting park lots. A lease application form and deposit will screen out frivolous prospects. These instruments also provide the manager with additional information with which to evaluate whether the prospective resident is suitable.

Leasing or selling includes greeting and qualifying the prospect, showing the property, taking the application and following up.

Greeting prospects. The first meeting with prospective residents is critical. It generally is part social and part business. The manager wants the applicants to relax and talk about their needs and preferences. They need to know the basic requirements for park residents regarding children, pets and the age and physical requirements of manufactured housings. They also need to know about the services and amenities provided, in addition to the kind of people living in the park. NAA advises that the park manager be businesslike, polite and concerned about the residents.

Qualifying prospects. The manager needs to obtain certain facts about the prospects' household with respect to size, pets, source of employment, income level and the age, size and utility requirements of their manufactured housing. This initial conversation allows both parties to decide if they are interested in pursuing the leasing agreement. NAA recommends that written resident qualification criteria be formulated by the owner to guarantee uniformity of qualifications required for acceptance into the park community. This helps protect against unfounded charges of discrimination and allows the manager to tell the prospect what the requirements are without involving personalities. If the prospects have three large dogs and the regulations prohibit all dogs, for example, give the prospect the name of a competitor who allows dogs. The prospect will appreciate the advice, the competitor will appreciate the referral, and problems associated with the dogs will be avoided.

Showing the park. After the initial conversation, if the prospects are still interested in the park and acceptable to management, they should be given a tour of the park. The route should present the park in the best light without overselling. Do not minimize the requirements or make promises that cannot be kept. The tour should include the office-information center, pool, available lots, prospects' actual lots, their parking area, laundry room, mailboxes, dumpster and service and storage area.

During the tour, explain more about the services, clubhouse, social activities and the people living in the park. By the end of the tour, find out where the prospects are moving from, why they are moving, where else they have lived, how long, and how long they expect to live in the park. Managers who know their market well should be able to sell the advantages without knocking the competition.

Taking applications. If prospects like the park and are apparently qualified, give them a copy of the park rules and regulations, a security deposit agreement, a lease application and a rental agreement. The prospects should complete and sign the rental agreement at this time. A good rental application includes the prospect's name, current address, how long the prospect has lived there, the party to call in case of emergency and information about any handicaps and disabilities.

The application should enable the manager to ascertain if the prospect's past rent payment record and social behavior are acceptable, as well as whether or not they have fulfilled past contractual obligations. The employment history allows the manager to verify the prospect's salary, the permanency of the job and the prospect's record of responsibility. Bank and credit references should also be checked. The application form should also grant permission for the information to be verified. A sample application form is found in Appendix B.

The basis for rejecting a perspective resident's application might be unemployment or short-term employment, a risky credit history, a history of bad checks or a reputation as a "lease jumper." A record of reasons for rejection should be kept on file.

Applicants should be told that management requires a certain number of days to verify the application, and when they will be contacted. This will give time to complete a credit check, as well as talk with current and former employers and landlords. After approving the application, the resident will have to sign the rental agreement and security deposit agreement. Residents should receive a copy of everything they sign.

Follow-up on the initial meeting. One type of follow-up consists of telephoning or sending a letter to the suitable prospects that have not yet made a decision. The other type is to contact those who have just signed the lease. Tell them, " You have made a good decision; I know you will like living in our park." On the day the new residents arrive, be available to answer questions and make sure that the appropriate service people make the utility connections and manufactured housing installation according to governmental and park regulations. Now is a good time to give newcomers an information packet containing useful facts about the park and local community.

Leases

Leases should be in writing and signed by the tenant(s)—including both spouses for married couples. A good lease minimizes potential misunderstanding between a landlord and tenant. A simple sentence may address a point not specifically covered in the general body of law. Court cases can be avoided or restitution obtained more quickly for the damaged party in such cases as delinquent rents, eviction procedures, property damage and repairs or abandoned personal property with a properly written lease. Park policies should be provided and explained before the lease is executed. The major points to be covered include swimming pool policies, parking assignments, trash pick-up procedures, recreation or clubhouse rules and respect for the privacy and property rights of others. Storage availability, laundry facilities, maintenance responsibilities, pets, child supervision, rent due dates and late charge assessments should also be included. NAA advises that the management let prospects know what is expected of them before they commit to the lease agreement. This constitutes a kind of psychological screening because, if these major points cause concern, prospects will likely conclude the interview on their own, and the manager will have screened out a prospect who would not have made a good resident.

There are several good lease forms available, such as the one developed by the TMHA for its members. No matter what form is chosen, discuss the major points of each form with the applicant and be willing to respond to questions.

A sample lease is contained in Appendix B. Some important provisions of the TMHA lease are:

- Names of lessor and lessee
- Date of lease
- Description of premises—the lot to be rented
- Length of the lease; may be renewed on a month-to-month basis provided that the lessee gives specified advance notice
- Rental rate per month
- Use of the premises
    - Use for manufactured housing
    - Number and type of vehicles permitted
    - Activity restrictions regarding use for business, business vehicles, vehicle maintenance and hobby and recreational activity
    - Lessee claims no title or interest in the leased property beyond the leasehold estate
- Care of the premises
    - Require a specified breakage and clean-up deposit. This will be returned on move-out if the site is clean and permanent park fixtures are undamaged beyond reasonable wear and tear.
    - Tenants should agree to use reasonable diligence in the care and maintenance of the premises—to keep the premises free from any nuisance or rubbish. The tenants should agree to accept the premises in their present condition as suitable for the purpose for which they are rented.
- The lessor will make repairs to water and wastewater components permanently installed in each lot. The appropriate utility is responsible for maintenance and repair of the utility components permanently installed in each lot.
- Embellishment required, such as skirts
- Embellishment permitted, such as carports, patios, fences, landscaping and equipment sheds
- Improvements—neither landlord nor tenant is required to make any improvements. The tenant may make permanent improvements permitted by the landlord. However, permanent improvements generally are alterations of the property. Such alterations become a fixture to the property, and thus, the property of the landlord.
- The lessor should be released from damages to the lessee's property or persons of the lessee's household while on the premises.

Chapter 6
Managing a Manufactured Home Community

Managing a manufactured housing community is not easy. The manager must be concerned with office operations, purchasing, budgeting, employee relations, park maintenance and resident relations. Most of the material presented in this chapter is taken from references listed at the end of this publication.

Office operations

The office is the business and communications center of the park community. It is also the logical place to maintain the park's files and records. It needs to be neat, well-organized and open during regular business hours. A good recordkeeping system is the basis of an effective budgeting, planning, maintenance and resident-relations program. The TMHA recommends that the main office files be divided into the four following basic parts.

Permanent records. These should be stored for each space and contain four files. The *resident files* have all document and information concerning the tenant—such as original application, rental agreement, pet agreement and records of notices. The *administrative files* consist of financial reports, maintenance records, warranties, emergency information about utilities, phone numbers for police, fire and gas. The *blank forms file* is for lease applications, rental agreements, security deposit agreements, rules and regulations, monthly report forms, employee forms, maintenance forms, purchases and order forms. The *dead file* contains residency documents or former residents and rejected applications.

Pending files. These contain all the documents of unfinished business, such as residents' applications, unsigned leases, requests for use of the clubhouse, purchases orders and incomplete inspection sheets.

Resident emergency information. Completed application-for-lease forms should be kept for use during an emergency.

File inventory. A list summarizing the location of all park's records and business papers should be maintained.

Purchasing

The park manager generally is responsible for purchasing supplies and contracting for certain service work. This function is critical to profitable operation of the park and requires the manager to constantly check the marketplace. There are several items that should be considered when contracting for major services. Have a contract in writing and get at least three bids; and make sure the specifications are correct for sizes, colors, and models. Assign clean-up responsibility. Have some provision for final payment to be held until the job is completed satisfactorily. Have the contractors obtain permits and provide proof that their licenses and insurance comply with all written laws. Spell out warranties and guarantees. Spell out any partial payment arrangements. The reputation of suppliers and their ability to deliver goods on schedule is important. Suppliers should have provision for emergency deliveries.

Budgeting

An operating budget is a useful tool for comparing anticipated income and expenses with actual amounts. A budget for a typical 200-unit community is shown in Exhibit 6. It begins with potential gross rental revenue, which is the amount of revenue generated if all units were rented year-round. Other income sources, such as laundry, vending machines and late fees are added, and an allowance for vacancies and collection losses subtracted. The result is called *effective gross revenue.*

Expenses from operating the property are subtracted from the effective gross revenue to produce the net operating income. These expenses do not relate to financing or income tax expenses. They are just to maintain the property. Categories include advertising, payroll and payroll taxes, repairs and maintenance, supplies, property taxes, insurance, office, legal and professional services, utilities and miscellaneous. The amount of these operating expenses tends to vary slightly, depending on vacancy rates and level of services provided. The amount may vary somewhat with the rent level but is typically in the range of $50 to $60 per month per lot.

The debt service, which includes interest expense and principle amortization, is subtracted from the net operating income to derive before-tax cash flow. Fixed-rate loans are still used extensively, although variable-rate loans and participating loans are common. Income taxes generally depend on the personal situation of the owner and are, therefore, not considered an expense of the property.

Exhibit 6: Manufactured home community pro forma example

	percent*	annual $ per park**	monthly $ per lot
potential gross rental revenue			
(200 units x $175 x 12 months)	100.0	$420,000	$175.00
other income (laundromat, late fees, etc.)	3.0	12,600	5.25
less vacancies and collection loss	-5.0	-21,000	-8.75
effective gross revenue	98.0	411,600	171.50
less operating expenses			
advertising	1.0	4,200	1.75
payroll and payroll taxes	16.4	68,800	28.68
repairs and maintenance	3.3	13,800	5.74
supplies	1.0	4,200	1.75
property taxes	7.6	32,100	13.38
insurance	2.2	9,200	3.82
office, legal and professional	2.2	9,200	3.82
utilities	10.9	45,900	19.12
miscellaneous	1.0	4,200	1.75
total operating expenses	45.6	191,600	79.83
net operating income (NOI)	52.4	220,000	91.67
less debt service (principal and interest)	-32.1	-135,000	-56.25
$1,500,000 debt at 9% constant P&I			
cash flow before taxes	20.2	$85,000	$35.42

*percentages of potential gross incomes
**for 25-acre park with 8 lots per acre or 200 lots total

Employee relations

Management is getting work done through others. A typical small-to-mid-size community employs one part- or full-time maintenance assistant and an office assistant in addition to the manager. A manager plans to meet certain goals and objectives, organizes the work of the plan and controls actions to meet the goals and objectives. In short, the manager oversees others who do the actual work. Staffing, training, directing and controlling workers represents a large portion of the manager's efforts.

Before considering hiring employees, a manager should have a firm idea of the qualifications needed. Study (or develop) the job description and determine which characteristics are most important.

Park maintenance

A well maintained park benefits everyone. It reduces emergency repair problems, tenant complaints, turnover and marketing. In other words, good maintenance can increase profits. The key to good maintenance is planning. The manager has an obligation to both the park owner and the residents to see that the grounds, equipment and facilities are well maintained. Expenditures on these items typically will exceed 3 percent of the park's operating budget, depending on the facilities and equipment provided and the owner's objectives.

The manager should inspect the entire park frequently to be sure that the details of the maintenance program are being implemented. The manager also should know the owner's plans so there can be advanced planning on the maintenance budget. There should be a regular schedule for cleaning, maintaining and repairing the equipment and facilities. Prepare a list of maintenance that should be done daily, weekly, monthly, bimonthly and seasonally. Swimming pool testing and maintenance generally require the most time and expense.

Insurance. There are several types of insurance needed by manufactured housing parks. Whenever some type of risk could have a great financial impact on the park, insurance should be purchased. This section covers the major types that NAA says should be considered.

Fire insurance. Because the chance of fire and the potential loss are great, most mortgage lenders require the debtor to purchase fire insurance on manufactured housing park improvements. The basic fire policy is standardized by Texas law and covers loss by fire and lightning, while extended coverage endorsements will add protection from windstorms, hail, aircraft, vehicle damage, riots, smoke and explosions. Vandalism and malicious mischief are other common endorsements to fire policies.

Liability insurance. The major liability exposure for a manufactured housing park is for negligence. The law prescribes conduct that avoids damage to possessions or injury to persons. If managers do not do what reasonable persons would have done under similar circumstances, and their neglect causes property damage or injuries, they may be held liable. To be liable, four conditions must be present:

1. legal duty to protect the injured party,
2. failure to perform that duty,
3. someone is injured and
4. inaction (or action) must have caused the injury.

Be sure that the liability policy calls for medical payment and immediate first aid coverage, regardless of who is liable.

Bonding employees. It is a prudent business practice to insure against theft and embezzlement by employees.

Burglary and robbery. Park offices are easy theft targets and, therefore, should be insured; remember to include office equipment with the contents portion of the policy.

Nonowned automobiles. When a maintenance person or manager goes on a business errand and has a car accident, the park may be sued. Insurance is available to cover this risk.

Gas safety. Each park using natural gas must meet federal safety standards. The system includes transmission from the public utility's master meter to the point where the distribution line connects to the individual manufactured home. The minimum requirements for public safety in operations and maintenance of gas pipelines are stated in Title 49 of the Federal Pipeline Safety Act (available from the Texas Railroad Commission in Austin). There are state laws regulating the parts of gas systems not covered by federal law. Park managers should be familiar with these laws. Most of these regulations set standards that should be met when the park is constructed. The TMHA suggests that because most of this work must be done by qualified persons, the manager's main responsibilities are:

- Inspecting for above-ground leaks. Manufactured housing park drawings indicating the exact location of all underground utilities should be available for reference.
- Finding qualified persons to conduct major leak surveys. Federal officials recommend that a survey be done every year and require one every five years.
- Providing the owner with adequate information on the condition of underground pipelines.
- Seeing that all repairs and additions are done by qualified persons.

- Preparing maintenance and emergency plans and keeping adequate records.

Certain information about the size of the park's gas distribution system must be reported on specified forms to the National Response Center of the Department of Transportation each year. Park managers also must report immediately by telephone (800-424-8802) any leaks that have seriously harmed people, done more than $5,000 in property damage or are otherwise significant.

Legal considerations. Park operations are governed by federal and state laws, case law (court-made law), county commissioners' directives and city ordinances—and all are binding. See Appendix C for information on state regulations potentially affecting operation of the park.

Because most of the current landlord-tenant statutes are concerned with renting "dwelling units," park operators who rent only lot spaces are not technically covered. However, they would be well-advised to follow the spirit of the Texas landlord-tenant laws.

Federal law. Federal law prevents discrimination based on race, religion, sex, color, or national origin, while Texas laws prohibit discrimination against the blind, visually handicapped or otherwise physically disabled persons. Some cities have ordinances that prohibit other forms of discrimination, such as screening tenants based on number of children, age, marital status or sexual preference. Owners may discriminate on any nonprotected basis, such as against sky divers, bugle blowers or those with insufficient income to be reliable tenants.

Deceptive Trade Practices Act. The Texas Deceptive Trade Practices Act prohibits false, misleading and deceptive acts in the sale or lease of any goods or services. A landlord who knowingly misrepresents the characteristics, benefits, quality or terms of the lease or of the park might be held in violation of the act. A landlord must disclose any known material facts that would assist the normal tenant in making a decision to rent or not.

Landlord remedies. A landlord has three remedies for a tenant's nonpayment of rent. The landlord may cut off utilities for which the landlord pays. The landlord also can execute a landlord's contractual lien by seizing any nonexempt property, if the provision to do so is underlined or in bold print in the lease. As a last resort, the landlord may evict the tenant; however, the landlord must follow rules and procedures.

Reference sources. There are many specific sections of the law that park managers need to understand thoroughly—such as lease terms, security deposits, habitation, eviction procedures, unauthorized vehicles and security devices. Three excellent sources of this information are: *A Guide to Manufactured Home Community Management,* published by the Texas Manufactured Housing Association in Austin, *The Redbook,* published by the Texas Apartment Association in Austin and the *Landlords' and Tenants' Guide*, published by the Real Estate Center at Texas A&M University in College Station (see page 48).

Resident relations

Good resident-manager relations arise out of understanding and communication. A good manager is constantly informing the residents of all park policies and procedures. Good relations are developed, not only with the spoken word but also through unspoken messages such as body language, expressions, attire, office appearance and the manner in which management business is conducted. Clear, concise communications and policies increase predictability, reduce turnover and improve the general harmony within the park.

Communication guidelines. Use simple and direct language. Do not talk up or down to others. Give whole-hearted attention when another is talking. Speak to the point of the message, not to the personalities involved. Define the dispute properly; do not get distracted by minor issues. Agree with everything possible in the other person's positions. The manager should thank the resident for bringing attention to the problem. Know and use the residents' names when talking to them. Keep personal and business lives separate—be friendly to all and a friend to none. Thoroughly know the reason for and the purpose of the park rules and regulations. Consider publishing a park newsletter on a regular basis. Keep up the appearance, service and repairs of the park.

Activities. There are five major types of social or recreational activities: the park newsletter, social activities (such as dinners, dances and entertainment), games, hobbies and educational programs. It generally is better to have one of the residents be the social director. That person can more easily learn what the residents want and make plans accordingly. The amount of compensation, if any, depends on the effort required. The manager's main task is to assist in planning the programs, make sure the public facilities are available when needed and see that the event is publicized.

Chapter 7
Income Tax Consequences of Operations

For tax purposes, operating a manufactured housing park is no different than operating any other business. All of the rental revenue is reported as taxable income. All ordinary and necessary expenses directly connected with the business are deductible from taxable income if the amount is reasonable. Because of complex tax laws, the tax treatment of certain items of income and expense is clarified here.

Revenue

A description of tax treatment of revenue follows.

Rental revenue. Rental revenue received from manufactured housing park residents is taxable income when received by a cash-basis landlord. Rent is taxable to a landlord on the accrual basis over the period of the lease unless received in advance. Advance rent is taxable income regardless of whether the landlord is on a cash or accrual basis. Consequently, there is little advantage to be gained by being on an accrual basis. Some expenses that have been incurred may be deducted before being paid.

Security deposits. As a general rule, security deposits are not taxable income. But a manufactured housing park owner who offers to apply a security deposit against the last month's rent in advance is creating taxable income at the time the deposit is received.

A forfeited security deposit is to be reported as income. Repairs to the damaged property, which gave rise to the forfeiture, are deductible.

Expenses

The three main categories of expenses are interest, depreciation and operating expenses. Interest is incurred when there is a debt. Depreciation is the most favored tax deduction because it provides a deduction with no cash outlay. Operating expenses are tax deductible, although differences between repairs and capital expenditures are frequently a source of dispute.

Interest. Interest used to acquire or operate a manufactured housing park is considered a deductible business expense. One should note, however, that the Internal Revenue Code specifies a minimum interest rate. If this minimum is not met, the IRS will impute interest. In addition to increasing the amount of interest, imputed interest can cause a reduction in the selling price, a reduction of gain to the seller, and a decrease of the tax basis and future depreciation deductions to the buyer. If below-market rate financing was used, check the IRS original discount issue rules.

Depreciation. The depreciation term is 27½ years for residential property, and straight-line depreciation must be used.

Repairs versus capital expenditures. Repairs made to keep the property in an efficient operating condition are deductible in the year paid or incurred. These are distinguished from capital expenditures, such as for replacements, alterations, improvements or additions. Capital expenditures, which extend the life of property, increase its value or make it adaptable to a different use, must be depreciated. For example, putting a new roof on a manufactured housing park club house is a capital expenditure, but the cost of repairing one is currently a deductible expense. The costs of repairing leaks are expenses, while the costs of bricking a wall or rearranging a lighting system are capital improvements.

Payroll. Amounts paid to a resident manager, including payroll taxes, are deductible. Proper amounts must be withheld for federal income tax and Social Security. As an employer, the manager is responsible for applicable Social Security payments, state unemployment insurance and workman's compensation, in addition to withholding from the employees' salary (to cover income taxes).

IRC Section 119 excludes lodging as compensation only if the employee must accept the lodging on the employer's business premises as a condition of employment. A tax case ruling stated that, when the sole stockholder of a manufactured housing park occupies a unit rent-free, the stockholder must report the fair rental value of the unit as taxable income.

Other deductible items. Other expenses, deductible within the guidelines noted earlier, are:

- compensation
- bonuses
- retirement plan compensation
- repairs and improvements
- rent
- travel
- entertainment
- advertising
- insurance
- supplies

- transportation
- legal expenses

Nondeductible expenses include:

- bribes
- fines
- kickbacks
- penalties

In most tax matters, the burden of proof is on the taxpayer. Consequently, be sure to maintain complete records of all transactions.

Chapter 8
Resale Considerations

There will come a time when selling a manufactured housing park is desired. The best time is when prospects are good for a fast sale at a high price. However, when a sale is desired, conditions are seldom so favorable. This chapter offers information on the resale of a manufactured housing park. This includes value change expectations, marketing efforts and income tax implications.

Value change expectations

The developer of a manufactured housing park usually can anticipate appreciation of the development because of the increasing value of the manufactured housing park as a business enterprise and the increasing value of the underlying land on which the manufactured housing is located. Furthermore, real estate tends to offer an inflation hedge, although improvements do depreciate over time.

Business value. First, the manufactured housing park is a business. Investment properties of all types, including manufactured housing parks, tend to sell for prices that are related to the income they generate. A well-located and well-maintained park should produce increasingly greater net operating income because of demand and good management. There should be sustained demand for spaces in a well-located park, and over time the demand should be translated into increasing rental rates. Careful management of the manufactured housing park will insure that operating expenses are controlled. These two elements should result in an upward trend in the park's net operating income and, if the market values net operating income at a reasonably constant multiple, the value of the park as a business should increase over time. The owner will realize, of course, that in time the rate of growth of any business will slow and, therefore, the growth rate at which the value of the park increases will slow as well.

Land value. The second reason for property appreciation is related to rising land values. If the park is well located with respect to the direction of urban growth, the potential for more intensive future land use is substantial. In fact, a manufactured housing park is an excellent interim use for a well-located tract. The income from the park can reduce or eliminate the carrying cost associated with raw land investment. If a commercial or industrial use becomes the highest and best use for the tract, the property improvements used for the manufactured housing park can easily be removed. Or, if the property seems well-suited for residential development, some of the improvements may have value for a permanent residential development. A farsighted developer may even plan the development of the manufactured housing park so that it may be converted to other uses in the future.

If the highest and best use of the property ceases to be a manufactured housing park, the owner may seek a new location for a park and begin the process again. Some park residents may even move to a new location.

Inflation hedge. A properly selected real estate investment is likely to be a satisfactory hedge against inflation. This assertion generally is supported by historical data on property values. Property values often increase faster than the general price level. However, the investor must understand that all real estate will not automatically increase in value. Real estate values are set by the market. Changes in the general price level are not translated automatically to increased values for particular parcels of real estate. Real estate parcels increase in value because of demographic pressures, urban growth and, in the case of income-producing real estate, higher levels of income. Thus, there can be an expectation that a well-located manufactured housing park will serve as a hedge against inflation.

Economic depreciation. The life expectancy of manufactured housing parks is ten to 35 years, depending on quality, and to a great extent on business management and regional economics.

The depreciation table for manufactured housing parks (Exhibit 7), from Marshall and Swift, is based on physical depreciation only and is based on the assumption that a normally well-maintained park will have components replaced or renewed as they age. Adjustments should be made for deferred maintenance.

Manufactured houses usually have a life expectancy of ten to 45 years, depending on quality and year built. Those produced after the enforcement of more stringent national and local codes may have a longer life expectancy.

The intersection of effective age in years with the "typical life expectancy" offers the percentage depreciation. For example, suppose a high-quality manufactured housing park has a 35-year life expectancy. By age ten, it is 28 percent depreciated (loss in value from the cost of a new one).

Exhibit 7: Normal depreciation percentages for manufactured home communities

effective age in years	typical life expectancy in years												
	manufactured housing parks						manufactured homes						
	10	15	20	25	30	35	15	20	25	30	35	40	45
1	6%	4%	3%	2%	1%	1%	5%	4%	3%	3%	3%	2%	1%
2	13	9	6	4	3	2	9	7	6	6	5	4	2
3	20	14	10	7	5	3	14	11	8	8	8	6	3
4	27	19	14	10	7	4	18	14	11	10	10	7	4
5	34	24	18	13	9	5	22	17	13	12	12	8	5
6	41	30	22	16	11	7	26	20	16	14	14	10	6
7	48	35	26	19	14	9	30	23	18	16	15	12	7
8	54	40	30	22	17	11	33	26	21	19	17	13	8
9	59	45	34	25	20	14	37	29	23	21	19	15	9
10	64	50	38	29	23	17	41	32	25	23	21	16	11
12	71	58	46	36	28	21	48	37	29	26	24	19	13
14		65	53	42	34	25	55	43	34	30	28	23	16
16		71	58	48	38	29	63	48	39	34	31	26	19
18			63	53	43	33		54	44	38	34	29	22
20			67	57	47	37		60	48	41	37	31	25
22			71	60	51	41		66	52	45	41	35	28
24				63	54	44			57	49	44	37	32
26				65	56	47			63	52	47	40	35
28				67	58	50				56	50	43	38
30					60	52				60	54	46	41
32					61	54				63	56	49	44
34						56					59	52	48
36						58					62	54	51
38											66	57	54
40												60	56
42												63	58
44												64	60
46													61

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The life expectancy of a manufactured house can be influenced greatly by its location—effects of the individual sites, the type of park and local acceptance of sizes and styles. Influences causing economic obsolescence are not considered in the tables.

Marketing efforts

The manufactured housing park marketing process will include identification of a sales agency, the time expected for consummating a sale, the commission and costs associated with a sale and terms that may be employed in the sales contract. The manufactured housing park is characterized by land with limited improvements and short-term leasehold estate commitments.

Selling agents. Relatively few real estate marketing firms have great expertise in manufactured housing park brokerage. To gain the necessary market exposure, the agency selected should be at least regional or statewide.

Marketing period. The time required to generate a sale is shortest if the park is well managed, in good condition, experiencing low vacancies at market rents and of moderate size (100 to 300 spaces). Under the best conditions, a sale closing could be completed three months following market introduction. Less than optimum circumstances can extend the marketing period to longer than a year.

Timing the sale is important to maximize profit. The property should look its best. Therefore, spring and fall are the best times to offer a park for sale. During the hot summer, the grass may be brown and present a less appealing park appearance. In addition, it is much better to offer the property just after raising the rents to maximum rental rates in the marketplace than to suggest that prospective buyers raise the rents.

Commissions and costs. Sales commissions are negotiable and are related to the broker's desire for the business and the size of the transaction. During periods when sales are slow, agencies may be willing to reduce commissions to get the listing. Small transactions (sales price less than $1 million) may command commission rates of about 6 percent while those significantly larger than $1 million may realize commissions as low as 4 percent. Who pays the commission is negotiable between buyer and seller in the sales contract. In general, the seller placing a park on the market pays the commission, but occasionally a buyer seeking an unlisted property may be willing to pay the broker's fee if the right property is located and purchased.

Other costs involved in the transfer of property ownership are common to nearly all property types. These costs include:

- appraisal (often paid by buyer)
- survey
- title insurance or attorney's abstract of title and title examination
- attorney's fees to prepare a deed and other documents; the attorney should be highly sophisticated in real estate transactions
- transfer tax
- recording fees (often paid by buyer)
- settlement and closing costs

Sales-contract terms. From the seller's viewpoint, negotiable terms could extend from an all-cash transaction to an exchange of the manufactured housing park for other property. Furthermore, the terms could include seller financing using a wraparound mortgage or other techniques. If the seller does not require the cash immediately, it may be desirable to arrange an installment payment method. If the seller wishes only to get cash from the property and desires continued current income from the park operation, a sale-leaseback agreement might be considered.

Seller financing. Existing manufactured housing parks most often are financed by the seller. Moreover, seller financing may be the only method of financing the purchase of a manufactured housing park when institutional financing is unavailable. Commonly, the seller finances a portion of the selling price, in conjuction with a buyer's assumption of an existing first mortgage.

There are three principal reasons for the seller to consider accepting a mortgage as partial payment on a sale:

1) The seller may want to spread the taxable gain over a number of years and, therefore, prefer an installment sale.
2) The manufactured housing park does not qualify for mortgage insurance. Therefore, an institutional lender probably will be unwilling to finance the sale of an existing manufactured housing park. The seller may need to negotiate favorable loan terms and an interest rate for expeditious loan closing.
3) Providing favorable seller financing may facilitate a higher selling price with the attendant favorable capital gains treatment. This is tempered by tax laws pertaining to imputed interest and original issue discount.

There are two principal reasons for a buyer to consider giving money mortgage to the seller as partial payment on the purchase:

1) The buyer may be able to negotiate a loan achieving high leverage with favorable mortgage terms.
2) Mortgage clauses, including payment timing, payment structuring, personal liability and prepayment options can be negotiated to suit the buyer's requirements.

Tax consequences of a sale

On the sale of a manufactured housing park, gain or loss is measured by the difference between the selling price and the adjusted tax basis. The installment sales technique may be used to spread the tax over several years when the seller finances the sale. A tax-free exchange may defer taxation of the gain to future years. If the park is owned in corporate form, there is a choice of selling stock in the corporation, liquidating the corporation and selling the assets or selling the assets without a corporate liquidation.

Gain or loss. The amount paid for the manufactured housing park is the original tax basis. That amount generally is allocated among various assets, based on their relevant market values, for purposes of determining depreciation. For example, suppose a $1 million park, comprised of $280,000 in land and $720,000 in improvements, is purchased. The $1 million is so allocated and improvements depreciated. Land is not subject to depreciation.

Capital improvements are added to the tax basis; depreciation claimed is subtracted. The result is the adjusted tax basis. Suppose that the park buyer spent $50,000 on waste-treatment equipment and claimed $40,000 of depreciation per year, including depreciation on the waste-treatment equipment. After three years, the adjusted basis is $930,000 ($1 million + $50,000 - 3 x $40,000). If the park is then sold, realizing more than $930,000, the excess is a taxable gain.

Suppose it is sold for $1 million through a broker who charges a $45,000 commission. The amount realized is $955,000, providing a $25,000 taxable gain.

Installment sale. Manufactured housing parks most often are sold with seller financing. As the principal of the note is collected, gain is reported and a capital gains tax paid. Interest income on the mortgage is taxed as ordinary income. The rules governing an installment sales (basically any sale where the sales price is paid over a period of several years) allow the seller to recognize capital gain as the sales price is collected. Therefore, the tax may be spread over a number of tax years, minimizing the possibility of pushing the taxpayer into a higher marginal tax rate bracket. For details, obtain IRS special publication 537.

Tax-free exchange. A tax-free exchange of real estate under Section 1031 may be used to postpone the tax on a sale. Both the property surrendered and received must be held for use in a trade or business or held as an investment. To the extent one receives unlike property to equalize the exchange (called “boot”), the gain will be taxable. Relief from indebtedness is a form of boot, as are cash and personal property. Under current tax laws, a tax-free exchange need not be simultaneous. One can sell real estate and put the proceeds in escrow pending acquisition of the replacement real estate. However, there is a 45-day deadline to identify the replacement and a maximum 180-day deadline to close the purchase of replacement. The 180-day maximum is shortened by the due date of the taxpayer’s return. So, in many cases, an extension for filing will be necessary to achieve the full 180-day period. For more information, the publication *Real Estate Exchange Under Section 1031* is available from the Real Estate Center (see p. 48).

Corporate sales. In may situations, it may be desirable to own a manufactured housing park in the corporate form. In this case, there are various ways to sell the business.

One way is to sell the corporate stock and claim a capital gain. Another is to sell the assets and liquidate the corporation prior to the sale. A third is to sell the corporate assets within 12 months as part of a plan of liquidation.

All of these alternatives are to be judged by the owner in deciding on the appropriate course of action. It may be vital to enlist tax assistance to determine the best plan.

Section 3
Appendices

Appendix A
Investment Criteria Examples

Financial criteria

1. Rate of return measures
   a. Cash-on-cash or rate of return on equity (cash flow divided by equity investment)
   b. Annual rate of property value appreciation
   c. Internal rate of return on equity, after tax
   d. Minimum internal rate of return required by investor
   e. Net present-value greater than or equal to zero
2. Risk measures
   a. Break-even occupancy level (operating expenses plus debt service divided by gross possible income)
   b. Debt coverage ratio (net operating income divided by debt service)
   c. Leverage of loan-to-value ratio
   d. Payback period: all cash returned within a specified number of years
3. Measures combining risk and return
   a. Land purchase price: maximum permissible cost per acre
   b. Development cost: maximum permissible cost per acre
   c. Maximum permissible cost per lot of developed site.

Nonfinancial criteria

1. Size: desired number of manufactured housing lots
2. Location: neighborhood promising, in growth path and near major transportation arteries
3. Environment acceptable: pleasing landscape and no flood threat
4. For developed site: aesthetically pleasing and functionally efficient design
5. Able to obtain clear title with no legal problems
6. Trustworthy, reputable seller

Appendix B
Sample Forms

approved form

SECURITY DEPOSIT AGREEMENT

(ATTACHED TO AND A PART OF THE LEASE AGREEMENT)

LESSEE: ______________________ LOT NO.: ______________________

______________________ Security Deposit: $______________________

____

This Security Deposit Agreement shall be a part of that certain lease agreement dated this date between the parties hereto. Lessor acknowledges receipt of the Security Deposit in the amount set forth above. This agreement and the laws of the State of Texas shall govern all deductions from and refunds of such Security Deposit.

CONDITIONS FOR REFUND:

1. **Lessee shall give at least 30 days written notice to Lessor prior to vacating the premises or terminating the lease agreement except as may otherwise be provided in Chapter 92 of the Texas Property Code.**
2. All rents must be paid in full through the end of the lease term. Resident may not apply security deposit to rent.
3. All charges due under the lease, including utility bills, late charges and insufficient check charges, must be paid in full.
4. All residents who signed the lease agreement must have surrendered the premises without eviction proceedings being filed.
5. Lessee must leave a written copy of his or her forwarding address with Lessor.
6. Lessee shall have complied with all instructions and directions of Lessor in connection with Lessee's move-out.

DEDUCTIONS FROM SECURITY DEPOSIT:

1. The premises must be cleaned thoroughly. If Lessee is responsible for the yard, the lawn and grounds must be in a neat and trim condition. A reasonable charge will be deducted from the securty deposit if the premises are not clean or the yard is not neat.
2. Appropriate charges will be deducted for any unpaid sums due under the lease agreement, for damages or repairs to the premises or the mobile home (if applicable), for unpaid rent, for unpaid utilities, and for any court costs or attorney's fees incurred in eviction proceedings against Lessee or Lessee's family, guests or invitees.
3. A fixed de-fleaing charge will be deducted from the security deposit of any Lessee who has kept a pet on the premises at any time during the lease term.

MOVE-OUT PROCEDURE:

1. In the event of more than one resident per unit or per lot space, each resident is jointly and severally liable for all sums due under the lease agreement and the security deposit agreement.
2. Lessor will issue only one check for the refund of the security deposit. Unless otherwise specified in writing, the security deposit check will be made out jointly to the persons signing below.
3. After all of the above conditions have been complied with and all lawful deductions have been made, the balance of the security deposit will be mailed to Lessee's forwarding address, with an itemized list of any deductions, within 30 days after surrender of the premises.
4. If the total of the lawful charges, deductions, damages and other unpaid sums under the lease agreement exceed the total amount of the security deposit, Lessee shall pay such excess amount within 10 days after written demand is mailed to Lessee.

SPECIAL PROVISIONS:

____

____

______________________ ______________________

Lessee Lessor

____

Lessee Date: ______________________

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approved form

RENTAL APPLICATION FOR

____

Name of Community

Each co-resident and each occupant over the age of 18 must submit a separate application
(If not enough space available for answering questions, the second page of this form may be used)

Prospective Resident's Information:

Full Name (as shown on driver's license or other ID: ______

Current address: ______ Home Phone #: ( ) ______

Current monthly rent: $______ Owner/manager of current rental: ______ Owner/Manager's Phone #: ( ) ______

Date moved in: ______ Reason for moving from current address: ______

Previous address: ______ Owner/manager of previous rental: ______

Owner/Manager's Phone #: ( ) ______ Date moved in: ______ Date moved out: ______

Reason for moving: ______

Social Security #: ______ Driver's License # & state: ______ Marital Status: ______ Birthdate: ______

Present Employer: ______

Address: ______ Work Phone #: ( ) ______ How long employed: ______

Monthly income is over: $______ Supervisor's name: ______ Supervisor's phone #: ( ) ______

Previous employer (if present employment less than 1 year): ______

Address: ______ Work Phone #: ( ) ______

Monthly income was over: $______ How long employed: ______

Supervisor's name: ______ Supervisor's phone #: ( ) ______

Spouse's Information

Spouse's full name: ______ Social Security #: ______ DL # & state: ______ Birthdate: ______

Present employer: ______ Address: ______

Work phone #: ( ) ______ Monthly income is over: $______ How long employed: ______ Supervisor's name: ______

Supervisor's phone #: ( ) ______

Other Occupants Under 18 Years of Age Information

Name: ______ DL #: ______ Birthdate: ______ Sex: ___ Relationship: ______

Name: ______ DL #: ______ Birthdate: ______ Sex: ___ Relationship: ______

Name: ______ DL #: ______ Birthdate: ______ Sex: ___ Relationship: ______

Vehicle Information

(List all cars, trucks, motorcycles, R.V.s, etc.)

Make of vehicle ______ Year: ______ License #: ______ State: ______

Make of vehicle ______ Year: ______ License #: ______ State: ______

Make of vehicle ______ Year: ______ License #: ______ State: ______

Credit/Criminal History

Bank's Name: ______ City/State ______

Active checking account #: ______ Active savings account #: ______

\+ + + + + + + + + +

Have you, your spouse, or any occupant listed above ever: / / been evicted or asked to move out? / / broken a rental agreement or lease contract? / / declared bankruptcy? / / been sued for nonpayment of rent? / / been convicted of a felony? / / on parole or probation for any offense? Please explain if you checked any of the above.

______

______

Pet Information

Will you or any occupant have a pet? / / Yes / / No If so, how many and what kind (dog, cat, bird, reptile, etc.) ______

Please indicate the weight, breed, age of each pet: ______

Please indicate if the animal(s) have been spayed or neutered and, if the animal is a dog or cat, has it got an up-to-date rabies vaccination: ______

______

Manufactured Home Information

Name and address of legal owner of home: ______

Is your home financed? / / Yes / / No Monthly payments: $______ Name and address of lienholder: ______

If new home, name and address of selling retailer: ______

Make, size (counting hitch), year of home: ______

What type air conditioner? / / central / / window / / other (explain) ______

Is your home all electric? / / or is your home gas and electric? / /

Is your roof shape: peaked / / or rounded/arched / /. Is your roof: shingled / / or metal / /

What type siding does your home have? metal / / vinyl / / hardboard / / Does your home have a bay window? If so, where is it located? ______

______

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Emergency Information

Name & relationship of emergency contact: ______________________________

Office address of emergency contact: ______________________________ Office phone #: ____________

Home address of emergency contact: ______________________________ Home phone #: ____________

How Did You Hear Of Our Community?

List Any One You Know In Our Community

Each applicant hereby represents that all of the above statements and information furnished are true and correct and authorizes verification of such. Each Applicant acknowledges, understands and agrees that false information shall constitute grounds for rejection of this application.

Date: ____________ ______________________ Signature of Applicant ______________________ Signature of Applicant's Spouse

Application was received by lessor community at ____________ o'clock on the date shown.

This application is approved as of ____________(date) and shall become a part of the lease agreement between the parties hereto.

______________________ (name of community)

"Applicant(s) hereby authorizes any creditor or former landlord to release relevant data to lessor regarding this Application."

By: ______________________ (authorized signature)

________ initials

______________________ (title)

Space for Continuing Answers

COMMUNITY: ______________________________

SPACE NO.: ______________________________

STREET OR P.O. BOX: ______________________

approved form

MANUFACTURED HOME SPACE LEASE AGREEMENT

This Lease Agreement ("Agreement") is made and executed by and between ______________________________

("Lessor") and ____ ("Lessee") on

this __________ day of ____________________, 19______.

Lessor hereby leases to Lessee and Lessee hereby leases from Lessor that certain manufactured home space ("Premises") in the above written Community, in the City of

____,

County of ____________________________, Texas.

Space No. ______________________ Street or P.O. Address ______________________________

____

under and pursuant to the following terms and conditions.

1. **TERM:** the primary term of the Agreement shall commence on the ______ day of __________________, 19______, and shall end at 5 p.m. on the ______ day of ____________________, 19______. Upon expiration of this primary term, this Agreement shall automatically renew month-to-month unless either party gives written notice of termination at least 30 days before the Lease Contract term or renewal period ends, or unless all parties sign another Lease Contract. ________

2. **RENT:** Lessee shall pay $________________ per calendar month for rental, without deduction, for the Premises, payable monthly in advance on the first day of each calendar month. The prorated rental from the date of move-in to the first day of the month following is $________________. Lessee's right to posession of the Premises is expressly contingent upon the prompt and timely payment of rent and other charges due hereunder, and the use of the Premises by Lessee is obtained only on the condition that such sums are promptly and timely paid. Lessee shall pay promptly all sums other than rent pursuant to the provisions of this Agreement within ________ days following Lessor's delivery of a statement of account therefor. Monies received by Lessor from Lessee shall first be applied to discharge any past due amounts, including but not limited to, past due late charges, check charges, key charges and utility bills owed by Lessee. After such past due amounts have been paid, the remainder of any monies received by Lessor from Lessee shall be applied to past due rent, then to current rent. If the rent or other sums payable hereunder are not paid within ________ days of the date on which such are due, a late charge of $______________ will be added to the amount due. Additionally, a charge of $______________ will be made for all checks returned due to insufficient funds or for any other reason. ________

3. **SECURITY DEPOSIT:** Lessee shall pay a security deposit in such amount as set forth in the Security Deposit Agreement, attached hereto and incorporated herein for all purposes, payable on or before the execution of this Agreement. **At least 30 days written notice of intent to vacate must be given to Lessor prior to move out except as may otherwise be provided in Chapter 92 of the Texas Property Code.** ________

4. **USE OF PREMISES AND APPLICATION APPROVAL:** A Rental Application ("Application") must be approved by Lessor before Lessee shall have the right to use or occupy the Premises. Only those persons listed in said Application shall be permitted to occupy the Premises. The Premises shall not be used for any illegal purposes, nor in violation of any valid regulation of any governmental body or agency, nor in any manner to create any nuisance or trepass. ________

5. **COMMUNITY RULES AND REGULATIONS:** All Community facilities are provided by Lessor for the use and enjoyment of Lessee and, in certain cases, Lessee's family, guests, or invitees. Lessee agrees to abide, and to insure that Lessee's family, guests, or invitees abide by all Community Rules and Regulations ("Rules") and any amendments thereto. Lessee acknowledges receipt of a copy of such Rules as of the date hereof. The Rules and any amendments thereto are incorporated herein by reference and made a part hereof for all purposes. Lessee agrees that Lessor shall have the right to modify, amend, change or replace such Rules in Lessor's sole and exclusive discretion and at such time or times as Lessor may desire. Lessor agrees to give Lessee written notice at least thirty (30) days prior to any modification, change, amendment or replacement. Any breach or violation of such Rules is expressly declared to be a breach of this Agreement. ________

6. **RELEASE OF LESSEE:** In the event that Lessee is now or becomes (except for voluntary enlistment) a member of the Armed Forces of the United States on active duty and receives change-of-duty orders to depart the local area, or is relieved or discharged from active duty, then Lessee may terminate this Agreement by giving

Lessor thirty (30) days written notice, provided that Lessee is not otherwise in default or breach. In such event Lessee agrees to furnish Lessor a certified copy of such official orders which warrant termination of this Agreement; it is expressly provided, however, that orders authorizing base housing shall not constitute change-of-duty orders warranting termination by Lessee. Lessee shall not be released from this Agreement for any other reason. _________

7. **MOVE-IN AND MOVE-OUT:** Lessee agrees to move-in and move-out under and during favorable weather conditions and at such time during the day as shall be agreed to by Lessor or set forth in the Rules. _________

8. **INSTALLATION:** Lessee agrees that the manufactured home shall be installed (set-up and tied-down) in accordance with the Texas Manufactured Housing Standards Act and other applicable governmental statutes, ordinances, rules or regulations. Such shall be Lessee's responsibility and Lessor shall in no way be liable or responsible for any improper installation. _________

9. **ACCESSORIES, EQUIPMENT AND STRUCTURES:** Approval of Lessor must be obtained before construction, installation or modification of any manufactured home accessory, equipment or other structure. (Note: Building permits may be required for certain accessories or installations.) _________

10. **LANDSCAPING:** Installation or planting of any trees, concrete, masonry, or ground cover must be approved by Lessor. Lessees are encouraged to landscape the premises and shall keep the Premises in a clean, attractive and well-kept fashion. All landscaping improvements shall immediately become a part of the realty and belong to Lessor and shall remain upon and be surrendered with the Premises unless otherwise expressly agreed to in writing by the parties hereto. _________

11. **VEHICLE CONTROL:** For the safety of the occupants, guests, and invitees, in the Community, Lessor has designated and posted certain speed limits; Lessees agree to abide by such and to cooperate in the enforcement of such speed limits. The streets and lanes are private and not public thoroughfares. Lessees may park passenger cars only on the Premises' driveway or other designated areas. Neither Lessees nor guests or invitees shall park any vehicle on another resident's space or a vacant space without the express permission of the resident or Lessor, whichever is applicable. Visitors shall park in the designated guest or visitor parking areas or in their host's drive if space is available. All trailers, boats, recreational vehicles or other vehicles not used for daily transportation shall only be parked in the Community as may expressly be designated by Lessor. All vehicles must meet statutory requirements for inspection, safety, etc. in order to be operated in the Community. No junked, unusable or unsightly vehicles will be allowed in the Community. Lessor, may at its sole discretion, for the welfare of the occupants of the Community restrict the delivery of certain products and services to approved, designated suppliers or restrict the times of delivery of products and services. The operation of motorcycles, motor scooters, minibikes and other two or three wheeled motorized vehicles must be first approved in writing by Lessor. _________

12. **INSPECTION BY LESSEE:** Lessee warrants and covenants that a full and complete inspection of the Premises and of the Community and all of its facilities has been made and that all of such were found to be in good, safe and habitable condition. _________

13. **ASSIGNMENTS AND SUBLEASES:** Lessee shall not, without the prior written consent of Lessor, assign or sublet this Agreement, or the lease made hereunder, or the Premises leased hereby or any interest therein. If Lessee attempts to assign this Agreement or allows the Premises to be occupied by anyone other than Lessee, Lessor may collect rent and other charges due under this Agreement from the assignee or occupant, and apply the net amount collected to the amount herein due, and no such collection shall be deemed a waiver of the condition herein against assignment or subletting, or as an acceptance of the assignee or occupant as a lawful resident of this Community or of the premises, and in such case, Lessee shall remain liable to Lessor for all provisions of this Agreement. _________

14. **TRANSFER OF LESSOR'S INTEREST:** In the event that Lessor sells, assigns or otherwise transfers its interest in the Premises, this Agreement shall be binding on the purchaser, assignee or transferee. Lessor shall be automatically relieved of any obligations or liability hereunder as of the date of such sale, assignment, or transfer, provided that the obligations and liability hereunder are assumed in writing by said purchaser, assignee or transferee. _________

15. **CONTRACTUAL LIEN:** Lessor shall have and is hereby granted a lien upon all non-exempt property of any kind (expressly including the manufactured home) found or located on the leased premises to secure payment of rent due or to become due under this lease. If Lessee is delinquent in payment of any rental due under this lease, Lessor shall have the right to enter peacefully the premises, manufactured home, or storage facilities to exercise lessor's contractual lien. Lessee's absence from the premises for three consecutive days while all or any portion of the rentals or other sums due under this lease are delinquent shall be deemed an abandonment of the premises. In order to clear such abandoned premises, Lessor may enter the premises, manufactured home and storage facilities to remove and store all property of every kind found therein. Lessor may impose reasonable charges for storing seized or abandoned property and may sell the same at a private or public sale after thirty (30) days written notice to Lessee of the time and place of such sale, and Lessor shall have the right to become purchaser upon being the highest bidder at such sale; the notice shall be deemed to have been given at the time of placing such notice in the U.S. mails, postage prepaid, certified, or registered mail to Lessee at the street or post office address hereinabove set forth. Sale shall be to the highest cash bidder and the proceeds thereof shall be first credited to the cost of seizure, storage and sale and then to the delinquent rentals or other sums due Lessor; if any sale proceeds then remain such shall be held by Lessor for Lessee and Lessor shall notify Lessee of such surplus monies in the same manner required for notice of the sale. It is expressly agreed that all of the lien provi-

sions of this paragraph and the procedures contemplated thereby shall be available to, and may be done by, Lessor without the necessity of any prior court hearing, proceeding or order. Lessor shall have no liability to Lessee whatsoever for any acts or actions taken or performed pursuant to the provisions of this paragraph.

____

16. **INDEMNIFICATION:** Lessee hereby agrees to indemnify and hold Lessor harmless for any injury or death to any person or damage to any property arising out of the use of the Community by Lessee, Lessee's family, agents, employees, guests or invitees. Lessee is to keep the manufactured home and Premises in good and safe condition, and notify Lessor immediately of any unsafe or unsanitary conditions in the Community or upon Community property. Lessor shall not be liable to Lessee for any damages arising out of any actions or negligence on the part of any other Community residents or their families, agents, employees, guests or invitees. Lessee agrees to pay Lessor for any damages caused by Lessee, Lessee's family, agents, employees, guests or invitees, whether such damage is sustained by said Community resident, said Community resident's family, agents, employees, guests or invitees. _________

17. **WAIVERS:** No failure by Lessor to enforce any provision of this Agreement after default or breach by Lessee shall be deemed a waiver of Lessor's right subsequently to enforce any and all provisions of this Agreement upon any other or further default or breach on the part of Lessee. All remedies contained herein are cumulative and agreed to by the parties without impairing any rights or remedies of Lessor, whether said rights or remedies are herein referred to or not. The obligation of Lessee to pay rent shall not be deemed to be waived, released or terminated by the service of a notice to vacate, notice to terminate, notice of breach, demand for possession, or institution of any legal action against Lessee. The acceptance of any rentals or other sums due shall not be construed as a waiver of any default or breach by Lessee, nor shall such acceptance reinstate, continue or extend the term of this Agreement or affect any notice, demand or suit in connection with such Agreement. No payment by Lessee or receipt by Lessor of an amount less than the total rental and charges due shall be deemed to be other than on account of the rent and charges due, nor shall any endorsement on any check nor any letter accompanying such partial payment be deemed an accord and satisfaction, and Lessor may accept such partial payment without prejudice to Lessor's rights to collect the balance of rent and charges due.

____

18. **EMINENT DOMAIN:** In the event that any governmental body or agency, or any entity which has the right of eminent domain, takes or condemns all or any part of the Premises of such a portion of the Community that it is no longer reasonably suitable for use as a manufactured home community for any public purpose by right of eminent domain (or any private purchase on lieu of the exercise of the right of eminent domain), this Agreement shall terminate on the date that possession of such property is taken. No part of any award or purchase price made or paid for such a partial or complete taking shall be apportioned. Lessee hereby renounces, and assigns to Lessor, any claim, right, title or interest which lessee might have in any such award or purchase price. Lessor shall, however, have no claim to, nor assignment of, any award or payment to Lessee for the taking, condemnation, or purchase of any personal property belonging to Lessee and removable upon the termination of this Agreement.

____

19. **AMENDMENTS:** The Agreement, along with the Security Deposit Agreement, the Rental Application, the Community Rules and Regulations, and the Electric Submetering Addendum, if applicable, constitutes the entire agreement between the parties; Lessee certifies that no other representations, either written or oral, were made by Lessor or relied on by Lessee as an inducement for the execution of, or as consideration for, this Agreement. Lessee acknowledges receipt of a copy of each of these documents and agrees that such shall not be modified or amended except as may hereafter expressly be set forth in writing and executed by the parties or except as may otherwise be provided herein. _________

20. **TERMINATION:** Resident's right to occupancy shall terminate or may be terminated as follows: (a) at the end of the term of this Agreement on thirty (30) days' written notice by either Lessee or Lessor, (b) at any time Lessee shall be in default on or in breach of any provision of this Agreement (or the other documents incorporated herein and made a part hereof by reference) upon three (3) days' written notice of such breach or default given by Lessor, (c) in accordance with the terms and provisions hereof relating to eminent domain, (d) in accordance with the terms and provisions hereof relating to release of Lessee, or (e) at such other time as may be agreed to by the parties hereto in writing. When resident's right of occupancy is terminated, Lessee shall pay all rental or other sums due or owed to Lessor and shall peacefully surrender possession of the Premises and remove all Lessee's property pursuant to this Agreement; failure to do so shall be deemed a breach of this Agreement. _________

21. **ATTORNEY'S FEES:** Should either Lessee or Lessor be required to employ legal counsel to enforce the terms, conditions and covenants of this Agreement, the prevailing party shall recover all reasonable attorneys' fees incurred therein. _________

22. **MISCELLANEOUS:** This Agreement shall be governed by the laws of the State of Texas. Lessee acknowledges having read and understood all of the terms and provisions of this Agreement and agrees to be bound thereby. All references to "Lessee" herein shall include and mean all occupants of the manufactured home as set forth in the Application. The term "Lessor" shall include and refer to the Community Manager or other designated representative of Lessor. Time is of the essence of this Agreement. The provisions of this Agreement shall be severable; if any provision is held invalid or unenforceable by any court of law for any reason whatsoever, the remaining provisions shall not be affected and shall be in full force and effect. _________

23. **UTILITIES:** Lessor shall provide the following utility services (both parties initial spaces by services to be furnished by Lessor):

_______Gas_______ _______Electricity_______

_______Water_______ _______Other_______

24. **ELECTRIC SUBMETERING:** If the use of electricity to the Premises is submetered, there is attached hereto, incorporated herein, and made a part of hereof, an "Electric Submetering Addendum" on which is set forth:

1. a description of services given by said community and the responsibilities of residents of said community as pertains to electrical submetering; and

2. a summary of Texas Public Utility Commission's Electric Submetering Rules.

SPECIAL PROVISIONS: ____

____

____

Lessor's initials: ____________________ Lessee's initials: ____________________

EXECUTED on the date hereinabove written. READ THIS AGREEMENT IN ITS ENTIRETY BEFORE SIGNING.

(signature)	Manufactured Home Community
(print name)	By: (signature)
(signature)	(print name)
(print name)	(title)

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original - lessor copy - lessee

COMMUNITY: ______________________

LOT or SPACE NO.: ______________________

STREET OR P.O. BOX: ______________________

approved form

MANUFACTURED HOME & SPACE LEASE AGREEMENT

This Lease Agreement ("Agreement") is made and executed by and between ______________________ ("Lessor") and ______________________ ("Lessee") on this ________ day of ________________, 19______.

Lessor hereby leases to Lessee and Lessee hereby leases from Lessor that certain manufactured home and space ("Premises") in the above written Community, in the City of ______________________,

County of ______________________, Texas, said manufactured home described as: ______________________

____

under and pursuant to the following terms and conditions. ________

1. **TERM:** the primary term of the Agreement shall commence on the ______ day of ________________, 19______, and shall end at 5 p.m. on the ______ day of ________________, 19______. Upon expiration of this primary term, this Agreement shall automatically renew month-to-month unless either party gives written notice of termination of at least 30 days before the Lease Contract term or renewal period ends, or unless all parties sign another Lease Contract. ________

2. **RENT:** Lessee shall pay $______________ per calendar month for rental, without deduction, for the Premises, payable monthly in advance on the first day of each calendar month. The prorated rental from the date of move-in to the first day of the month following is $______________. Lessee's right to posession of the Premises is expressly contingent upon the prompt and timely payment of rent and other charges due hereunder, and the use of the Premises by Lessee is obtained only on the condition that such sums are promptly and timely paid. Lessee shall pay promptly all sums other than rent pursuant to the provisions of this Agreement within ________ days following Lessor's delivery of a statement of account therefor. Monies received by Lessor from Lessee shall first be applied to discharge any past due amounts, including but not limited to, past due late charges, check charges, key charges and utility bills owed by Lessee. After such past due amounts have been paid, the remainder of any monies received by Lessor from Lessee shall be applied to past due rent, then to current rent. If the rent or other sums payable hereunder are not paid within ________ days of the date on which such are due, a late charge of $______________ will be added to the amount due. Additionally, a charge of $______________ will be made for all checks returned due to insufficient funds or for any other reason. ________

3. **SECURITY DEPOSIT:** Lessee shall pay a security deposit in such amount as set forth in the Security Deposit Agreement, attached hereto and incorporated herein for all purposes, payable on or before the execution of this Agreement. **At least 30 days written notice of intent to vacate must be given to Lessor prior to move out except as may otherwise be provided in Chapter 92 of the Texas Property Code.** ________

4. **USE OF PREMISES AND APPLICATION APPROVAL:** A Rental Application ("Application") must be approved by Lessor before Lessee shall have the right to use or occupy the Premises. Only those persons listed in said Application shall be permitted to occupy the Premises. The Premises shall not be used for any illegal purposes, nor in violation of any valid regulation of any governmental body or agency, nor in any manner to create any nuisance or trepass. ________

5. **COMMUNITY RULES AND REGULATIONS:** All Community facilities are provided by Lessor for the use and enjoyment of Lessee and, in certain cases, Lessee's family, guests, or invitees. Lessee agrees to abide, and to insure that Lessee's family, guests, or invitees abide by all Community Rules and Regulations ("Rules") and any amendments thereto. Lessee acknowledges receipt of a copy of such Rules as of the date hereof. The Rules and any amendments thereto are incorporated herein by reference and made a part hereof for all purposes. Lessee agrees that Lessor shall have the right to modify, amend, change or replace such Rules in Lessor's sole and exclusive discretion and at such time or times as Lessor may desire. Lessor agrees to give Lessee written notice at least thirty (30) days prior to any modification, change, amendment or replacement. Any breach or violation of such Rules is expressly declared to be a breach of this Agreement. ________

6. **SECURITY RIGHTS:** Texas law requires that Lessor provide, at no cost to Lessee when occupancy begins: (1) a window latch on each window; (2) a doorknob lock or a keyed dead bolt lock on each exterior door; (3) a pin

lock, plus a security bar or door handle latch on each sliding glass door; and (4) a keyless bolting device (keyless dead bolt lock) and doorviewer (peephole) on each exterior door. If Lessor fails to install or rekey security devices as required by the Property Code, Lessee has the right to do so and deduct the reasonable cost from the next rent payment under Section 92.165(1) of the Code. ________

7. **SMOKE DETECTORS:** Lessor will furnish smoke detectors as required by law, and the detectors will be tested and working batteries provided when Lessee first takes possession. Lessee will thereafter pay for and replace batteries as needed, unless the law provides otherwise. ________

8. **RELEASE OF LESSEE:** In the event that Lessee is now or becomes (except for voluntary enlistment) a member of the Armed Forces of the United States on active duty and receives change-of-duty orders to depart the local area, or is relieved or discharged from active duty, then Lessee may terminate this Agreement by giving Lessor thirty (30) days written notice, provided that Lessee is not otherwise in default or breach. In such event Lessee agrees to furnish Lessor a certified copy of such official orders which warrant termination of this Agreement; it is expressly provided, however, that orders authorizing base housing shall not constitute change-of-duty orders warranting termination by Lessee. Lessee shall not be released from this Agreement for any other reason. ________

9. **ACCESSORIES, EQUIPMENT AND STRUCTURES:** Approval of Lessor must be obtained before construction, installation or modification of any manufactured home accessory, equipment or other structure. (Note: Building permits may be required for certain accessories or installations.) ________

10. **LANDSCAPING:** Installation or planting of any trees, concrete, masonry, or ground cover must be approved by Lessor. Lessees are encouraged to landscape the premises and shall keep the Premises in a clean, attractive and well-kept fashion. All landscaping improvements shall immediately become a part of the realty and belong to Lessor and shall remain upon and be surrendered with the Premises unless otherwise expressly agreed to in writing by the parties hereto. ________

11. **VEHICLE CONTROL:** For the safety of the occupants, and guests, in the Community, Lessor has designated and posted certain speed limits; Lessees agree to abide by such and to cooperate in the enforcement of such speed limits. The streets and lanes are private and not public thoroughfares. Lessees may park passenger cars only on the Premises' driveway or other designated areas. Neither Lessees nor guests or invitees shall park any vehicle on another resident's space or a vacant space without the express permission of the resident or Lessor, whichever is applicable. Visitors shall park in the designated guest or visitor parking areas or in their host's drive if space is available. All trailers, boats, recreational vehicles or other vehicles not used for daily transportation shall only be parked in the Community as may expressly be designated by Lessor. All vehicles must meet statutory requirements for inspection, safety, etc. in order to be operated in the Community. No junked, unusable or unsightly vehicles will be allowed in the Community. Lessor, may at its sole discretion, for the welfare of the occupants of the Community restrict the delivery of certain products and services to approved, designated suppliers or restrict the times of delivery of products and services. The operation of motorcycles, motor scooters, minibikes and other two or three wheeled motorized vehicles must be first approved in writing by Lessor. ________

12. **INSPECTION BY LESSEE:** Lessee warrants and covenants that a full and complete inspection of the Premises and of the Community and all of its facilities has been made and that all of such were found to be in good, safe and habitable condition. ________

13. **ASSIGNMENTS AND SUBLEASES:** Lessee shall not, without the prior written consent of Lessor, assign or sublet this Agreement, or the lease made hereunder, or the Premises leased hereby or any interest therein. If Lessee attempts to assign this Agreement or allows the Premises to be occupied by anyone other than Lessee, Lessor may collect rent and other charges due under this Agreement from the assignee or occupant, and apply the net amount collected to the amount herein due, and no such collection shall be deemed a waiver of the condition herein against assignment or subletting, or as an acceptance of the assignee or occupant as a lawful resident of this Community or of the premises, and in such case, Lessee shall remain liable to Lessor for all provisions of this Agreement. ________

14. **TRANSFER OF LESSOR'S INTEREST:** In the event that Lessor sells, assigns or otherwise transfers its interest in the Community or the manufactured home, this Agreement shall be binding on the purchaser, assignee or transferee. Lessor shall be automatically relieved of any obligations or liability hereunder as of the date of such sale, assignment, or transfer, provided that the obligations and liability hereunder are assumed in writing by said purchaser, assignee or transferee. ________

15. **CONTRACTUAL LIEN:** Lessor shall have and is hereby granted a lien upon all non-exempt property of any kind found or located on the leased premises to secure payment of rent due or to become due under this lease. If Lessee is delinquent in payment of any rental due under this lease, Lessor shall have the right to enter peacefully the premises, manufactured home, or storage facilities to exercise lessor's contractual lien. Lessee's absence from the premises for three consecutive days while all or any portion of the rentals or other sums due under this lease are delinquent shall be deemed an abandonment of the premises. In order to clear such abandoned premises, Lessor may enter the premises, manufactured home and storage facilities to remove and store all property of every kind found therein. Lessor may impose reasonable charges for storing seized or abandoned property and may sell the same at a private or public sale after thirty (30) days written notice to Lessee of the time and place of such sale, and Lessor shall have the right to become purchaser upon being the highest bidder at

such sale; the notice shall be deemed to have been given at the time of placing such notice in the U.S. mails, postage prepaid, certified, or registered mail to Lessee at the street or post office address hereinabove set forth. Sale shall be to the highest cash bidder and the proceeds thereof shall be first credited to the cost of seizure, storage and sale and then to the delinquent rentals or other sums due Lessor; if any sale proceeds then remain such shall be held by Lessor for Lessee and Lessor shall notify Lessee of such surplus monies in the same manner required for notice of the sale. It is expressly agreed that all of the lien provisions of this paragraph and the procedures contemplated thereby shall be available to, and may be done by, Lessor without the necessity of any prior court hearing, proceeding or order. Lessor shall have no liability to Lessee whatsoever for any acts or actions taken or performed pursuant to the provisions of this paragraph. ________

16. REPAIRS: Lessee has the duty to repair or remedy, or to pay for the repair or remedy, of any of the following conditions that may occur to the Premises during the term of this Agreement, or any renewal or extension hereof:

a. damage from wastewater stoppages or backup caused by foreign or improper objects in lines that exclusively serve the Premises;

b. damage to doors, windows, or screens;

c. damage from windows or doors left open; and

d. all other conditions which are caused by Lessee, a lawful occupant in the Premises, a member of the Lessee's family, a guest or invitee of Lessee, and which are not caused by normal wear and tear.

____

17. **INDEMNIFICATION:** Lessee hereby agrees to indemnify and hold Lessor harmless for any injury or death to any person or damage to any property arising out of the use of the Community by Lessee, Lessee's family, agents, employees, guests or invitees. Lessee is to keep the manufactured home and Premises in good and safe condition, and notify Lessor immediately of any unsafe or unsanitary conditions in the Community or upon Community property. Lessor shall not be liable to Lessee for any damages arising out of any actions or negligence on the part of any other Community residents or their families, agents, employees, guests or invitees. Lessee agrees to pay Lessor for any damages caused by Lessee, Lessee's family, agents, employees, guests or invitees, whether such damage is sustained by said Community resident, said Community resident's family, agents, employees, guests or invitees. ________

18. **WAIVERS:** No failure by Lessor to enforce any provision of this Agreeement after default or breach by Lessee shall be deemed a waiver of Lessor's right subsequently to enforce any and all provisions of this Agreement upon any other or further default or breach on the part of Lessee. All remedies contained herein are cumulative and agreed to by the parties without impairing any rights or remedies of Lessor, whether said rights or remedies are herein referred to or not. The obligation of Lessee to pay rent shall not be deemed to be waived, released or terminated by the service of a notice to vacate, notice to terminate, notice of breach, demand for possession, or institution of any legal action against Lessee. The acceptance of any rentals or other sums due shall not be construed as a waiver of any default or breach by Lessee, nor shall such acceptance reinstate, continue or extend the term of this Agreement or affect any notice, demand or suit in connection with such Agreement. No payment by Lessee or receipt by Lessor of an amount less than the total rental and charges due shall be deemed to be other than on account of the rent and charges due, nor shall any endorsement on any check nor any letter accompanying such partial payment be deemed an accord and satisfaction, and Lessor may accept such partial payment without prejudice to Lessor's rights to collect the balance of rent and charges due.

____

19. **EMINENT DOMAIN:** In the event that any governmental body or agency, or any entity which has the right of eminent domain, takes or condemns all or any part of the Premises of such a portion of the Community that it is no longer reasonably suitable for use as a manufactured home community for any public purpose by right of eminent domain (or any private purchase on lieu of the exercise of the right of eminent domain), this Agreement shall terminate on the date that possession of such property is taken. No part of any award or purchase price made or paid for such a partial or complete taking shall be apportioned. Lessee hereby renounces, and assigns to Lessor, any claim, right, title or interest which lessee might have in any such award or purchase price. Lessor shall, however, have no claim to, nor assignment of, any award or payment to Lessee for the taking, condemnation, or purchase of any personal property belonging to Lessee and removable upon the termination of this Agreement.

____

20. **UTILITIES:** Lessor shall provide the following utility services (both parties initial spaces by services to be furnished by Lessor):

_______Gas_______ _______Electricity_______

_______Water_______ _______Other_______

21. **ELECTRIC SUBMETERING:** If the use of electricity to the Premises is submetered, there is attached hereto, incorporated herein, and made a part hereof, an "Electric Submetering Addendum" on which is set forth:

1. a description of services given by said community and the responsibilities of residents of said community as pertains to electrical submetering; and

2. a summary of Texas Public Utility Commission's Electric Submetering Rules.

22. **AMENDMENTS:** The Agreement, along with the Security Deposit Agreement, the Rental Application, and the Community Rules and Regulations, constitutes the entire agreement between the parties; Lessee certifies that no other representations, either written or oral, were made by Lessor or relied on by Lessee as an inducement for the execution of, or as consideration for, this Agreement. Lessee acknowledges receipt of a copy of each of these documents and agrees that such shall not be modified or amended except as may hereafter expressly be set forth in writing and executed by the parties or except as may otherwise be provided herein.
____

23. **TERMINATION:** Resident's right to occupancy shall terminate or may be terminated as follows: (a) at the end of the term of this Agreement on thirty (30) days' written notice by either Lessee or Lessor, (b) at any time Lessee shall be in default on or in breach of any provision of this Agreement (or the other documents incorporated herein and made a part hereof by reference) upon three (3) days' written notice of such breach or default given by Lessor, (c) in accordance with the terms and provisions hereof relating to eminent domain, (d) in accordance with the terms and provisions hereof relating to release of Lessee, or (e) at such other time as may be agreed to by the parties hereto in writing. When resident's right of occupancy is terminated, Lessee shall pay all rental or other sums due or owed to Lessor and shall peacefully surrender possession of the Premises and remove all Lessee's property pursuant to this Agreement; failure to do so shall be deemed a breach of this Agreement. ________

24. **ATTORNEY'S FEES:** Should either Lessee or Lessor be required to employ legal counsel to enforce the terms, conditions and covenants of this Agreement, the prevailing party shall recover all reasonable attorneys' fees incurred therein. ________

25. **MISCELLANEOUS:** This Agreement shall be governed by the laws of the State of Texas. Lessee acknowledges having read and understood all of the terms and provisions of this Agreement and agrees to be bound thereby. All references to "Lessee" herein shall include and mean all occupants of the manufactured home as set forth in the Application. The term "Lessor" shall include and refer to the Community Manager or other designated representative of Lessor. Time is of the essence of this Agreement. The provisions of this Agreement shall be severable; if any provision is held invalid or unenforceable by any court of law for any reason whatsoever, the remaining provisions shall not be affected and shall be in full force and effect. ________

26. **SPECIAL PROVISIONS:** ____

____

____

____

____

Lessor's initials: ____________________ Lessee's initials: ____________________

EXECUTED on the date hereinabove written. READ THIS AGREEMENT IN ITS ENTIRETY BEFORE SIGNING.

____________________	____________________
(signature)	Manufactured Home Community
____________________	By: ____________________
(print name)	(signature)
____________________	____________________
(signature)	(print name)
____________________	____________________
(print name)	(title)

Appendix C
General Regulatory Information

To find out what state health regulations may apply to the project, contact the Texas Department of Health, General Sanitation Division at 1100 West 49th St., Austin, Texas 78756 (512-834-6635). For local health regulations, check with the local health department.

For fire regulations, contact the local fire marshal or the Texas Commission on Fire Protection at P.O. Box 2286, Austin, Texas 78768-2286 (512-918-7100).

For information on the types of environmental permits that may be required for construction and operation of the park, check with the Texas Natural Resource Conservation Commission at P.O. Box 13087, Austin, Texas 78711 (512-239-1000). Assistance also may be available from the Small Business Assistance Program (800-447-2827).

It is advisable to have a legal professional assure that all legal requirements are satisfied before operations are begun. For additional information and assistance, contact the Business Information and Referral Program (512-936-0286).

Source: Texas Department of Commerce.

Appendix D
More Publications for Investors and Developers

Manufactured housing community development is but one research area of value to developers and investors. The Real Estate Center has other products for those seeking to put their dollars to wise use. The accompanying form may be used to order the Center's developer-investor related products or to request a free catalog that lists all the publications offered by the Real Estate Center. Additional copies of this book may be ordered for $12. Send check and order to:

Real Estate Center
Publications Room
2115 TAMU
Texas A&M University
College Station, Texas 77843-2115
For credit card orders, call 800-244-2144.

Publications

306 ***Real Estate Center Catalog,*** free. A complete list of all the products available from the Center.

655 ***Evaluating an Income Property,*** $4. Report helps investors evaluate the fundamental market and financial characteristics of investment property.

659 ***Developing and Managing a Freestanding Store,*** $10. Detailed explanation of how to develop, lease, finance and operate a store.

762 **"Listing, Advertising Legalities: Mobile Home Dilemmas,"** $2.50. Legal terms rather than physical qualities distinguish mobile homes, manufactured homes and house trailers. Whether the laws of personalty or realty govern their ownership, taxation and transfer affects the broker's right to list them.

866 ***Landlords' and Tenants' Guide,*** $10. A guide to legalities related to repairs, evictions, security deposits, utility cut-offs and more.

932 ***Real Estate Exchanges Under Section 1031***, $4. Introduction to how tax-deferred exchanges work with illustrations of the various forms they may take.

964 ***Impact of the Federal Wetlands Act on Real Estate***, $10. This report provides guidelines for complying with the 1972 Federal Water Pollution Control Act Amendments.

968 **"Wetlands Quandaries,"** $2.50. This article examines the Federal Wetlands Act, one of the most controversial land-use regulations imposed by the federal government. Reviews the history of the legislation and offers guidelines for compliance.

978 ***Office Space Demand***, $5. This study demonstrates a method for estimating office space demand based on employment data.

1023 **"Putting a Leash on Risk: Towards Evaluating Commercial Properties,"** $2.50. This article focuses on controlling risk when buying real estate.

1051 **"Direct Capitalization Versus Discounted Cash Flow Analysis,"** $2.50. Article explores the differences in and uses of these two techniques for evaluating investment property.

1055 ***Investment by Design: A Primer in Real Estate Analysis***, $7.50. A book on real estate analysis based on the "Instructors Notebook" column published in *Tierra Grande* magazine.

1064 **"Buy or Lease? Commercial Property Decisions,"** $2.50. Article focuses on the analytical framework for deciding whether to buy or lease space for a business.

1145 **"More Than Interest: Expected Rate of Return,"** $2.50. Article illustrates several methods that may be used to compare real estate investment based on both the return on and return of the investment.

1171 **"Depreciating Land Costs,"** $2.50. In general, the cost of land cannot be written off for tax purposes until the land is sold. Yet, under certain conditions, some land improvement costs can be depreciated over 15 years thus providing substantial tax savings.

1196 **"Buying Rural Land,"** $2.50. A place in the country sounds idyllic to many, but pitfalls await the inexperienced buyer.

Appendix E
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