Common Sense Institute Policy Brief:
Rent Control at Mobile Home Parks

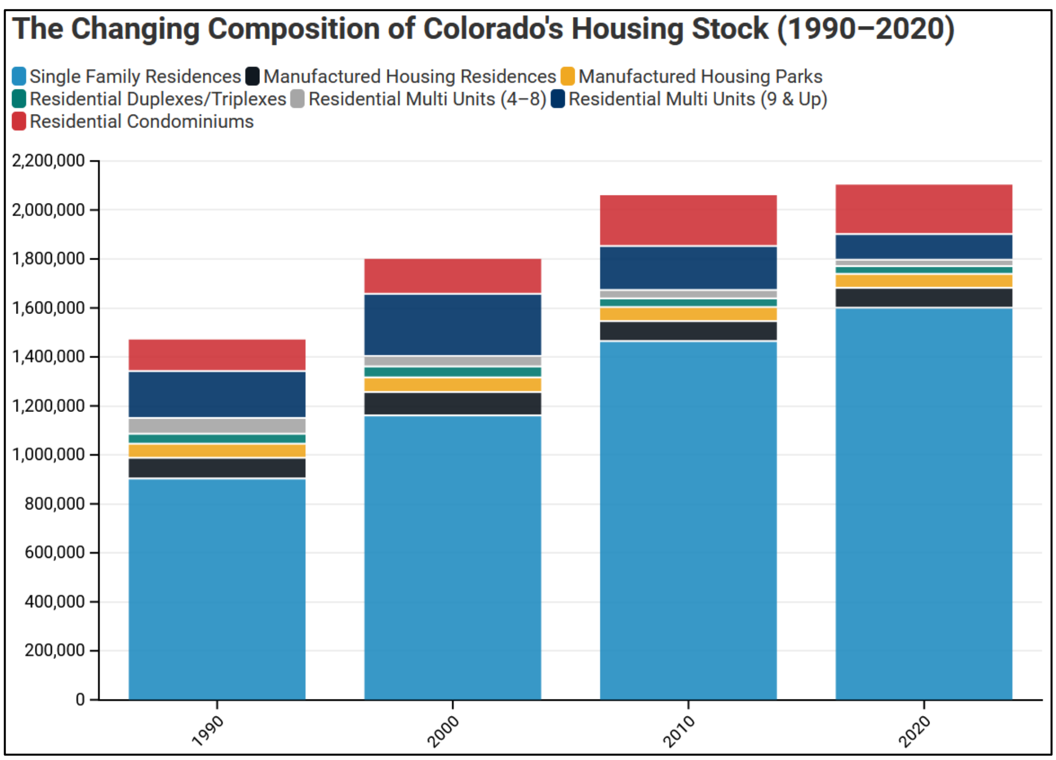
Featured bill – HB22-1287 Protections for Mobile Home Park Residents

Manufactured homes and mobile homes are prefabricated homes. Whether a prefabricated home is called a mobile home or a manufactured home depends upon the date it was built. According to HUD, prefabricated homes built before June 15th, 1976, are called mobile homes. Those built after June 15th, 1976, are manufactured homes. In this brief, we refer to all prefabricated homes as manufactured homes.

Bill Summary – HB22-1287 proposes a multitude of changes to Colorado laws pertaining to mobile home parks including the "Mobile Home Park Act" and the "Mobile Home Park Act Dispute Resolution and Enforcement Program." The changes address four basic themes: 1) rent control for residents who reside in third-party–owned manufactured home parks, 2) enhanced opportunity for tenants to pursue ownership of the whole park in which they are currently renting sites, 3) increased disclosure and tenant restitution requirements for landlords, and 4) increased tenant rights/protections.

Current Supply of Mobile Home Parks and Lots

While the availability of other types of housing has changed over the last 30 years, the supply of manufactured housing parks has been relatively unchanged. Based on property tax records, Colorado had 1,285 available (3.9% of total housing stock) in 1990 and 1,374 parks available in 2021. Currently, there are approximately 57,000 manufactured home sites in these parks; this accounts for approximately 2.3% of the total housing stock (2,534,045 units). Growth in the number of sites in manufactured housing parks is small, unlike the change in the stock of single-family homes, apartments, condominiums, and townhouses.



- According to property tax records, from 1990 to 2020 Colorado's housing stock changed as follows:
  - Total Housing Stock +632,469 (43%)
  - Manufactured Housing Residences -3,109 (-3.7%)
  - Manufactured Housing Parks -765 (-1.3%)
  - Single Family Residences +697,193 (77.1%)
  - Residential Duplexes/Triplexes -8,804 (-21.7%)
  - Residential Multi-Units (4 & up) -125,060 (-48.8%)
  - Residential Condominiums 73,014 (56.8%)

Under rent control, there is little incentive to increase the supply of manufactured housing parks as the returns on investment in manufactured housing parks are not as attractive to developers than returns on other types of housing. Based on the change in assessed value, let alone market values, from 2015 to 2020 the increase in the assessed value of manufactured housing parks is 26% of single-family homes, 17% of duplexes/triplexes, 11% of homes with 4 to 8 units, and 13% of homes with 9 or more units.

Unintended Consequences for Consideration

Colorado is in midst of a severe affordable housing crisis spurred largely by a gaping deficit in housing units. For those wishing to own their own homes, purchasing a manufactured home is often described as the most affordable non-subsidized option. **In 2021, the average price of a new manufactured home was $81,700, while the average price of a built on-site home in Colorado was $477,900—approximately six times that of a manufactured home**.[i] According to the Manufactured Housing Institute, the median annual income for those who own manufactured homes is $34,700, but almost a quarter of all manufactured homeowners have an income of more than $50,000. So, owning a manufactured home is almost six times more affordable than an in-place built house. Owning a manufactured home may only be an affordable option for many if they can rent sites in manufactured home parks. Though the aim of the bill is to support this option for some manufactured homeowners by protecting them from rising site rents and potential displacement, it is well documented that the policy mechanisms included in the bill would hurt the very population the bill tries to protect.

- **Reduction in Supply of Mobile Home Parks and Sites** - The imposition of artificial and arbitrary limitations on rents interferes with the market's ability to respond to changing economic forces. Limiting revenue increases for site landlords while they still face the same or increasing costs of running their businesses reduces their profitability and increases the incentive to repurpose their lands to more profitable uses. A definitive study on the effects of rent control in San Francisco showed that landlords reduced supply of rental housing by 15% by selling to owner-occupants and redeveloping properties to other more profitable uses.[ii] A recent study by ECONorthwest on rental housing in Portland reported a 14% reduction in rental houses over the period of 2015–2020. They cite recent rental regulations as the cause of the decline.[iii]
- **More Landlord-owned Manufactured Homes** – In other markets where similar bills have passed, landlords have bought manufactured homes from in-place homeowners and rented the homes back. This allows the landlords to keep the home sites within the rent control parameters and, at the same time, adjust the rental rates of the homes.
- **Limited Mobility of Manufactured Home Park Residents –** Tenants who benefit from rent control are more likely to stay longer even when they would prefer to move.
- **Increased Cost to Site Landlords to Remove Bad Tenants** – Landlords will have less incentive to remove bad tenants, due to the bill's requirement that owners cover relocation costs for tenants who

are forced to move, which will adversely affect other residents. In other situations, owners would have more incentive to buy bad tenants' homes and then rent the homes out at higher rates.

- **Site Rent Increases for Any New Parks that Are Built** – Rent control increases will be transferred from current residents to future residents who choose to rent manufactured home sites in new parks, if they are built.
- **Reduces Income Tax Revenue** – Rent control reduces site landlords' profitability as utilities, insurance and direct operating expenses are increasing every year, which in turn lowers site landlords' income tax obligation.
- **Underinvestment in Maintenance and Upgrades** – If controlled rents do not keep up with the costs of maintenance and upkeep, site landlords will spend less on maintenance and upkeep which in turn will adversely affect all residents.
- **Rent Control Significantly Lowers Property Values, Lowering Property Tax Revenue**

Alternatives to HB22-1287

The proposed bill, if passed, will overturn the long-standing statutory prohibition on rent control, enacted by the Colorado legislature in 1981 (CRS 38-12-301), which prohibits Colorado's cities and counties from imposing rent controls on private properties. Passage of the bill opens a Pandora's Box allowing for expansion of rent control to other classes of private property, further impinging on private property owners' rights.

Alternatives to rent control often involve subsidies or tax credits provided to either the manufactured home park owners or to site renters. Ultimately, taxpayers will pay the costs of offering below-market rents to residents of manufactured housing parks.

Policymakers continue to ignore the well documented and consistent evidence of the negative effects of rent control. They should instead focus on policies that will increase the supply of housing.

[i] U.S. Census Bureau and U.S. Department of Housing and Urban Development, Average Sales Price of Houses Sold for the United States [ASPUS], retrieved from FRED, Federal Reserve Bank of St. Louis; https://fred.stlouisfed.org/series/ASPUS, April 5, 2022.
[ii] Diamond, Rebecca, Tim McQuade, and Franklin Qian. 2018. "The Effects of Rent Control Expansion on Tenants, Landlords, and Inequality: Evidence from San Francisco." Stanford GSB and NBER.
[iii] Single Family Detached Rental Housing Trends from 2015 to 2020 in the Portland Metro Region, ECONorthwest