



MANUFACTURED & MODULAR HOME ASSOCIATION OF MINNESOTA

Opening doors to better living.

April 30, 2021

The Honorable Rich Draheim
Minnesota State Senate
Chairman, Senate Housing Finance and Policy Committee
3227 Minnesota Senate Building
St. Paul, MN 55155

Dear Chairman Draheim,

On behalf of the 300 members of the Manufactured & Modular Home Association of Minnesota, I want to thank you and the Committee for its work during the 2021 Session to advance a very focused Omnibus Housing Bill, that positively addresses Minnesota's shortage of affordable workforce housing with both innovative and practical solutions and solid public policy changes.

The MMHA was formed in 1951 and is the statewide umbrella organization representing manufactured home and modular home builders, manufactured home installers, model home sales centers, nearly 1,000 privately owned manufactured home communities, lenders, developers, and suppliers to the industry. The MMHA works to promote quality housing that is affordable, encourages a level playing field in the public policy arena and educates its members on new home building technologies and best industry practices. Manufactured homes are Minnesota's largest source of non-subsidized workforce housing with four plants building approximately 1,500 new manufactured homes annually, employing about 1,000 workers, with additional plants that exclusively build new modular homes.

We support the provisions in SF969 and wanted to address specific provisions in the HF1077 Comparison Report dated 4/23/21, ahead of the Conference Committee's first meeting;

Page R11, 23.26 and 24.1. We support and appreciate expanding the permissible use of funds for the replacement of older and obsolete manufactured homes under the rehabilitation loan program and increasing the maximum loan amount to \$40,000.

Page R22, 21.5. We support the clarifying language to the Window Fall Prevention Device Code. I served on the MN Department of Labor and Industry's advisory council when this requirement was initially adopted after a tragic fall incident involving a child and a multi-story building.

Page R22, 21.9. We support the provision encouraging municipalities to enact public policy to facilitate the development of unsubsidized affordable housing and authorizing smaller lot sizes. It is helpful for the Legislature to give municipalities direction for policy consideration as they work to address their respective local shortages of workforce housing, that when combined, comprise Minnesota's overall shortage of workforce housing.

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Page R24, 31.25. We support clarifying that municipalities do not have an exception to the prohibition on enacting rent control ordinances. National studies and analysis reveal that where rent control ordinances have been enacted, they had the exact opposite effect of their intent, by reducing the supply of affordable rentals and only benefiting those few renters who do not relocate after enactment.

Page R34, 39.21 Eviction Moratorium Phaseout. We support the Senate's inclusion of a reasonable eviction moratorium off-ramp of Executive Order 20-79. This is a high priority for the nearly 1,000 owners of Minnesota's manufactured home communities and approximately 50,000 home sites and be able to return to normal.

Page R55, 9.25 Manufactured home affixed to real property owned by a cooperative. We are not opposed to the provision, the MMHA was consulted by the advocates and it retains our suggested changes included in their 2020 Session bill that were carried over into the 2021 bill. We hope the provision achieves its intended outcome.

Page R60, 15.1 Manufactured home affixed to real property. We are not opposed to the provision, the MMHA was included in a working group organized by the MN Realtors Association and MN Land Title Association, who advanced the bill. The intent is to streamline the process for a manufactured home's owner to secure a new title when theirs has been misplaced or previously surrendered and a new title or replacement is necessary while still qualifying for GSE securitized mortgages.

Page R65, 56.1 House Language "Opportunity to Purchase." We strongly oppose this provision being included in a final Omnibus Housing Bill. Briefly this provision, as HF112, was very controversial in the House Housing and Commerce Committees, with the MMHA, MN Realtors Association and individual owners of manufactured home communities testifying in opposition. Following its passage out of the House Commerce Committee, and during Floor Session when taking-up adoption of Committee Reports, House Minority Members, including Leader Kurt Daudt, moved to not accept the Commerce Committee Report, and refer HF112 back to the Commerce Committee, so Minority Members on the Committee could ask questions about the bill, and hear the public testifiers speaking in opposition to the bill, all of whom were cut-off during their testimony and Minority Members not able to ask additional questions prior to voting.

The bill is a solution in search of a problem, it eliminates fundamental property rights of nearly 1,000 of Minnesota's largest providers of non-subsidized affordable workforce housing. Minnesota is recognized as one of the top states in the nation in providing residents of manufactured home communities with an opportunity to purchase their community if it is offered for sale, or if it were to close for redevelopment, with a statutory right of first refusal, exceeding resident protections in states such as Florida, Arizona, and California, which all have far more community residents as a percentage of their overall populations.

For example, the State of Minnesota already requires a "Notice of Sale" (MS327C.096), to be provided by the owner of a manufactured home community if they are selling their community and advertise it for sale in a publication or list it with a real estate broker and give a written notice to all residents. The intent of the statute is to give individual residents or a resident organization the opportunity to make an offer to the owner of the community.

Minnesota's current statute has worked well allowing for the conversion of several privately owned communities to cooperative ownership. In all of these ownership conversions thus far, the residents worked with the community's owner to negotiate a purchase price and successfully transfer the ownership to a cooperative. MMHA community members were the first to sell communities to their residents under current statute. There is not an adversarial relationship in play; a willing seller and a willing qualified buyer is how the real estate market works. Residents of manufactured home communities already have the ability to make an unsolicited offer to purchase a community and have successfully demonstrated they are already capable of doing this.

The provision takes away a fundamental real estate property right of an owner to grant a "first option to purchase" to a buyer, resulting in a significant loss of income to owners of manufactured home communities.

- Takes away the property right of a community owner to bundle or package more than one property they may own when selling or receiving an unsolicited offer. They may have other entities they own that are a part of the package such as an adjacent mini-storage business, a manufactured home sales center, or a multi-family apartment building. There was testimony in the House by owners of manufactured home communities stating this concern related to their business.
- Takes away the right of a manufactured home community owner to sell their property without first giving a 60-day, concurrent legal notice to the State of Minnesota's Housing Finance Agency and every member of a household in a manufactured home community, including minor children, delivered to each by Certified Mail, stating the price, terms, and conditions of an offer they have received to sell, lease, or transfer ownership of their property. We are not aware of any other property class that has this requirement imposed on them. It was pointed out in remarks in House Committee and on the Floor by Representative Jerry Hertaus, a licensed real estate broker, that this strikes at the very core of a member of the Realtors' Code of Ethics in not disclosing sensitive or privileged sale information about a pending sale of a business which could jeopardize the sale and make public personal financial information.
- Fails to address the common real estate sales process where there are multiple offers received that are constantly changing during negotiations, forcing a manufactured home community owner to notify hundreds of residents every time an offer changes or a new buyer emerges.
- Requires that when a community owner rejects an offer from a resident organization, they must then provide a written explanation of the reasons for the rejection and have this delivered by Certified Mail, within five days of the receipt of the offer from the representative. The owner is then further prohibited from proceeding to accept a final unconditional offer for an additional 31 days, **extending the initial delay from 60 days to 91 days.**

- The provision contains no legal protections or immunity for a community owner who follows the law and negotiates in good faith and rejects the non-profit's offer, that they will not face legal challenges alleging non-compliance with any of several notice provisions in the bill, delaying the sale even further if not losing the sale to a frustrated buyer who will take their money and invest elsewhere to avoid having to go through the same hoops if they were to decide to sell.
- The provision eliminates one of the hard-fought rights and protections of manufactured home community residents currently in MS§327C.095 Subd. 6 (c), so that when a non-profit representative purchases a community that is closing, "the representative must certify to the Commissioner of Commerce that the property will be **preserved as a manufactured home park for ten years from the date of the sale.**" This language was adopted in 2019 and is **eliminated under Subd. 7.** It instead reverses the protection that it needs to remain a manufactured home community, and allows a nonprofit developer to close the community and change the land use to one of multiple other uses considered affordable housing, such as one-family, two-family, or multi-family dwellings for low-income households. This is a significant step back in protecting residents from closure and displacement, especially when considering both the Senate and House Omnibus Housing Bills contain millions of dollars in state appropriations to help preserve these communities through infrastructure grants, rehabilitation programs, and down payment assistance.

In conclusion, along with taking away fundamental property rights, the provision creates uncertainty for the owners of Minnesota's largest source of non-subsidized affordable housing, at a time when we need them to do more to expand and develop new communities, not invest in affordable housing developments in surrounding states. We are not aware of any other property types in the State of Minnesota that have such draconian limitations placed on their ability to sell their property. We believe that the goals of the overall bill would be better served if this provision were omitted.

Thank you for the opportunity to comment on the bill and for the hard work that went in to crafting a balanced approach. We would be glad to provide additional comments or testimony during the Conference Committee process.

Sincerely,



Mark Brunner
President