

PART II

ISSUES FOR RESIDENTS THINKING ABOUT THE PURCHASE OF THEIR PARK

This part discusses issues involved in purchasing a park and what may happen if you choose not to participate.

Should I participate in the purchase of my park?

Many mobilehome park residents are living on fixed or limited incomes. Increases in rent for mobilehome spaces and related services have motivated many residents to join together to purchase and convert their parks to resident ownership.

While the cost of owning may at first be higher than renting, the gap is likely to close and turn positive in a relatively short period of time.

Impending eviction and park closure are also strong motivating factors for conversion. While it is true that state and local government agencies are committed to fostering an adequate supply of affordable housing, displacement is still a very real threat and a strong consideration in residents' decision to purchase and convert their parks.

No matter what the reason for conversion, *your* decision to participate should be based on *your* personal needs and financial situation, not part of a "group decision" made under pressure from fellow residents.

How do I assess my financial situation?

The most important question is, "Can I afford to participate in the purchase?"

Whether alone or with the help of a financial advisor, you should consider the following factors:

- **Your personal income sources and their stability.** Are increased costs of living causing you to withdraw from savings in order to meet monthly expenses? Has the investment capital which

generates Your Income Decreased, Resulting In A Reduction Of income? Have interest rates dropped, decreasing your income?

- **Trends in your nonhousing domestic expenditures.** Review checkbooks and payment records in order to estimate your costs for food, clothing, medical care, insurance, entertainment, and other expenses. Review Your Credit Reports For Negative information (e.g., late payments; too much debt).
- **The projected “bottom line” dollar amount for participation in the park purchase.** Compare your estimated housing cost after conversion to the portion of your monthly income available for housing. The commonly used affordability standard is 25 to 30 percent of monthly income for housing-related expenses. However, this may not be applicable to many retirees living in mobilehome parks. For example, residents who rely solely on Social Security are frequently paying as much as 40 to 50 percent of their income for housing.

What happens if I feel I am financially unable to participate?

It is common in park conversions to include rental or lease arrangements for residents who cannot afford to participate in the purchase. These arrangements may be open-ended or for a specified term and space rental may be expected to increase over the term of the agreement. Typically, there can be no sale of the mobilehome in place during the term of the rental or lease arrangement and at termination the resident must become an owner or remove the mobilehome from the park.

If a rental or lease arrangement is not available and “involuntary displacement” is expected due to a conversion, various government agencies may require that an impact report be filed. However, the law does not presently require relocation benefits or relief measures for a displaced resident, except in some cases where public funds have been utilized in the conversion.

What other choices do I have?

If, after reviewing all the terms and conditions of the purchase/conversion, you are not interested in participating (and a rental or lease arrangement is not available), relocation to another park or to a lot will be necessary. This may be profitable because a mobilehome in a park which is to be converted frequently commands a higher price. Therefore, you should not be in a hurry to leave, as delaying your move as long as possible may give you more leverage in the sale of your mobilehome.

What if the park owner is not interested in selling?

If the owner is not interested in selling, the residents' organization may attempt to stabilize space rents by negotiating a lease for the entire mobilehome park. A lease may transfer management and control to the residents' organization without disturbing prior leasing or financing agreements entered into by the owner.

A subdivision will be created and the residents' organization will need a public report from the Department of Real Estate if:

- the resident organization intends to lease to residents five or more parcels or spaces;
- the term of the leases is more than five years; and
- the lease arrangement is a mandatory condition of tenancy within the park. Mandatory leasing arrangements should be discussed with the local planning agency prior to implementation for purposes of determining requirements under the Subdivision Map Act.

A residents' organization considering a park lease should seek legal advice if there is any uncertainty as to compliance with related laws.

What have we learned from successful park conversions?

A park conversion is a difficult process, requiring long-term group cooperation and aggressive resolution of problems.

Problems to be solved may include:

- an unanticipated and lengthy educational campaign necessary to explain the conversion and its financing to everyone's satisfaction;
- discussions and debates by dissenting groups of residents, taking necessary attention away from the group of residents interested in purchasing;
- some residents claiming support of the purchase in the beginning, but balking and refusing to participate in the end;
- disagreement by park residents over the form of ownership to which the park should be converted;
- inability of residents to agree on the selection and hiring of consultants necessary to complete the conversion process; and
- difficulty some residents may have in qualifying for loans to purchase their interests in the park.

Residents must be made aware of the magnitude and difficulty of the task their representatives must undertake in attempting to organize the park for purchase and management. Residents must recognize the energy required of these persons, the stresses and physical demands placed on them, and the possibility that replacements may be necessary.

Formal involvement of as many residents as possible should lead to a positive community atmosphere in which park residents look out for one another and assist in explaining different aspects of the conversion to fellow residents. This "grassroots" support will help the residents and representatives keep the long-term goal, ownership, always in sight.