City of Lacey, Washington
Lacey Planning Commission Meeting Agenda

Refer to bottom of the agenda for instructions on attendance and public comment.

Tuesday, June 6, 2023	6:00 PM	Council Chambers and Online

Call to Order

1. **Approval of Agenda and Consent Agenda Items:**
   Items listed under the consent agenda are considered to be routine and will be enacted by one motion and one vote. There will be no separate discussion of these items. If discussion is desired, that item will be removed from the Consent Agenda and will be considered separately.
   A. Approval of Agenda
   B. Approval of May 16, 2023, meeting minutes

2. **Public Comment:**
   Refer to the bottom of the agenda for instructions on how to provide public comment.

3. **Commission Members' Reports:**

4. **Department Report:**

5. **New Business:**
   A. **Manufactured Home Park Preservation: Jennifer Adams, Housing Coordinator and Gordon Gimse, Planning Intern**
   Staff will provide information on preservation options for mobile and manufactured home parks including an inventory of existing parks and an analysis and potential strategies for implementation.

6. **Old Business:**
   A. **Neighborhood Commercial Update: Hans Shepherd, Senior Planner**
   Staff will provide a briefing on the status of the Neighborhood Commercial update including recently completed business outreach and a public outreach event

scheduled for June.

7. **Communications and Announcements:**

8. **Next Meeting: June 20, 2023**

9. **Adjournment**

Attend Remote or In Person
The public may attend the meeting in person, or you may view or listen to the meeting using one of the following platforms:

In Person:	Council Chambers at Lacey City Hall, 420 College Street SE, Lacey, WA 98503
Via Zoom:	https://us02web.zoom.us/webinar/register/WN_TmASnj3bSiOAPnfHBXIa5g
City Website:	https://cityoflacey.org/upcoming-meetings/
YouTube:	https://youtu.be/v=Bui8YwowFow
By Phone:	(888) 788-0099 or (877) 853-5247 (Webinar ID 857 3137 1174)

CITY OF LACEY PLANNING COMMISSION **WORK SCHEDULE**	
Planning Commission Meeting **June 6, 2023** **Packets due: June 1**	1. **Work Session:** Manufactured Home Park Preservation 2. **Work Session:** Neighborhood Commercial Update
Planning Commission Meeting **June 20, 2023** **Packets due: June 15**	1. **Work Session:** Parks and Recreation Comprehensive Plan 2. **Work Session:** 2023 Legislation Update – Sarah S.
Planning Commission Meeting **July 4, 2023**	**Meeting Canceled (Holiday)**
Planning Commission Meeting **July 18, 2023** **Packets due: July 13**	1. **Public Hearing:** Parks and Recreation Comprehensive Plan 2. **Work Session:** Climate Initiative Updates - Linsey

MINUTES
Lacey Planning Commission Meeting
Tuesday, May 16, 2023 – 6:00 p.m.
Lacey City Hall Council Chambers, 420 College St SE – and via Zoom

Meeting was called to order at 6:00 p.m. by Dave Wasson

Planning Commission members present: Dave Wasson, Kyrian MacMichael, Daphne Retzlaff, Peg Evans-Brown, Eddie Bishop, Cathy Murcia and Gail Madden. Staff present: Ryan Andrews, Martin Hoppe and Sarah Bartz.

Dave noted a quorum present.

Gail Madden made a motion, seconded by Peg Evans-Brown, to approve the agenda for tonight's meeting. All were in favor, the motion carried.

1. **Public Comments:** None.

2. **Commission Members Reports:** Kyrian MacMichael mentioned the newly passed state bills that impact housing and density. Peg Evans-Brown noted that it was her last meeting with the Planning Commission.

3. **Department Report:** Ryan Andrews thanked Peg Evans-Brown for her time on the Planning Commission and provided an update on Rick Walk's appointment as the new City Manager, which now moves to contract negotiations. Ryan also mentioned that parcels associated with Greg Cuoio Park will soon go before the Growth Management Boundary Review Board for movement into the Lacey Urban Growth Area.

4. **Public Hearings:**

   6-Year Transportation Improvement Plan: Martin Hoppe, Transportation Manager. The Planning Commission conducted a public hearing on the proposed 2024 Six-Year Transportation Improvement Plan (TIP). No written or oral public testimony was given. After conclusion of the public hearing, Eddie Bishop made a motion, seconded by Cathy Murcia, to recommend approval to the City Council. All were in favor, the motion carried.

   Private Applicant Comprehensive Plan Amendment: Ryan Andrews, Planning Manager. The Planning Commission conducted a public hearing on the Gwinwood Retreat Center Comprehensive Plan Amendment and Rezone. Oral Public Testimony was given by Kate Ayers, Director of Gwinwood Retreat Center. Kate complimented Ryan Andrews overview of the proposal and emphasized how important the rezone is to their organization & community. Oral Public Testimony was also given by Scott Goddard, Hicks Lake resident. Scott discussed the wildlife associated with the lake and adjacent wetland. He was supportive of the proposal to preserve this property as Open Space. **After conclusion of the public hearing, Gail Madden made a motion, seconded by Eddie Bishop, to recommend the plan amendment and rezone to the City Council. All were in favor, the motion carried.**

5. **Old Business:** None.

6. **Communications and Announcements:** None.

7. **Next Meeting:** June 6th

8. **Adjournment:** 6:58 p.m.

To hear the full discussion of a specific topic, or the complete meeting, watch the recorded video available on YouTube: https://www.youtube.com/watch?v=a-RFoPeX9y4

CITY OF LACEY PLANNING COMMISSION
PUBLIC HEARING ON GWINWOOD RETREAT CENTER COMP PLAN AMENDMENT/REZONE
TUESDAY, May 16, 2023

NAME	EMAIL OR ADDRESS/PHONE PLEASE PRINT LEGIBLY	DO YOU WISH TO GIVE TESTIMONY?
Kate Ayers	director@Gwinwood.org	Yes
Susan Cooksey	susandcooksey@frontier.com	No
Janet Ikeda	janetikeda@msn.com	No
Lynne Dearing	Dearingl@yahoo.com	no
Scott Goodman	jz2xq@yahoo	YES
Vern Dearing	2313 Shirley St. SE	No
Maggie Shannon	magsshannon@gmail.com	NO

CITY OF LACEY

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PLANNING COMMISSION STAFF REPORT
June 6, 2023

SUBJECT: **Lacey Manufactured Home Park Staff Study**

RECOMMENDATION: Receive a briefing from staff on the Manufactured Home Park Study.

TO: Lacey Planning Commission

STAFF CONTACTS: Ryan Andrews, Planning Manager RA
Jennifer Adams, Housing Coordinator JA
Gordon Gimse, Planning Intern GRG

ATTACHMENT(S): Lacey MHP Staff Study White Paper
Lacey MHP Staff Study Slide Presentation
Lacey MHP Data

PRIOR COUNCIL/ COMMISSION/ COMMITTEE REVIEW: None.

BACKGROUND:

Manufactured Home Parks (MHP) have historically provided affordable homes to the financially disadvantaged. With Lacey expected to continue its rapid economic and demographic growth, the City must look for ways to maintain its current MHP inventory in order to provide affordable housing in concert with the expected growth. The purpose of this briefing is to provide information on preservation options for mobile and manufactured home parks including an inventory of existing parks and an analysis and potential strategies for implementation.

Affordable Housing Gap, Inventories and Private Equity:

The City's rapid economic and demographic growth over the past twenty years has created a disparate housing situation. Since 2003, new home prices have increased *171%* while household income grew by only *16%*. The increase in home prices combined with stagnating income has led to an affordable housing gap, especially amongst less educated and historically marginalized populations.

Developers invested very little in MHP's over the past twenty years; they instead focused on single family and multi-family housing. There are two factors influencing the lack of development. Primary is a lack of incentive to build MHP's; the potential cash flows from stick built and multi-family homes easily outpace those of an MHP. Secondary is a lack of

community desire to build new parks. "Nimbyism" plays a large part in keeping these parks on the periphery and out of sight.
Large private equity investment firms have recently entered the MHP market, attracted by the potential for profit windfalls and rapid returns on investment (ROI). These firms are buying up MHP's from traditional "mom and pop" parks and subsequently raising rents to unaffordable levels. Since 2015, the market has seen 30% of MHP's purchased by these firms. With easier access to vast liquid capital resources, they can outbid most potential buyers and pay premium prices.

Analyzed Solutions:

Three solutions meet the intent of ensuring MHP availability to Lacey citizens:

- Tax Incentives for Maintaining Current Land Use for Set Terms
- Rezoning of MHPs
- City Purchase of Existing MHPs

Evaluation Criteria:

Five criteria are identified as being absolute to the importance of each solution.

- Duration of Effectiveness
- Rent Stabilization
- Cost to the City
- Infringement of Rights
- Implementation Timeline

RECOMMENDATION:

While the recently passed E2SSB 5198 gives residents the "Right of First Refusal" to purchase their current park, it is not a "silver bullet" that ensures survival of a Lacey MHP. This bill, by itself, is not enough to keep commercial interests from poaching vulnerable properties. It is recommended that the City implements *a zoning change for two MHP's within the city limits.* Application of "MHP Zoning" to the Wooded Village and Emerald Park Manufactured Home Parks ensures that these high-risk locations remain as MHP's for the duration of the zoning designation. Pending a successful implementation, use a targeted approach an apply this same zoning for other properties deemed high to medium risk for purchase and reallocation by a developer. Although pressure will remain from corporate strength entities, adding a new zone designation for selected Lacey MHPs will create a strong bulwark against the loss of affordable housing for our most vulnerable citizens.

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24 MAY, 2023

MEMORANDUM FOR City of Lacey Planning Commission

SUBJECT: Staff Study: City of Lacey Manufactured and Mobile Home Park Study - Course of Action Analyses and Recommendation

1. **Problem**: Manufactured Home Parks (MHP) have historically provided affordable homes to the financially disadvantaged; serving as a "middle rung" between renting and traditional home ownership, these types of homes create personal wealth equity at a lower cost. With Lacey expected to continue its rapid economic and demographic growth for the foreseeable future, and selling pressure expected to continually increase from private equity investment firms, what is the City doing to ensure that it maintains and develops MHP's to provide affordable housing in concert with this expected growth?

2. **Recommendation**: While the recently passed E2SSB 5198 gives residents the "Right of First Refusal" to purchase their current park, it is not a "silver bullet" that ensures a Lacey MHP remains as such. Although a great addition to combating the affordable housing crisis, this bill, by itself, is not enough to keep commercial interests from poaching vulnerable properties. It is recommended that the City implements, as a Proof of Principle (PoP), *a zoning change for two MHP's within the city limits*. Application of "MHP Zoning" to the Wooded Village and Emerald Park Manufactured Home Parks ensures that these high-risk locations remain as MHP's for the duration of the zoning designation. Pending a successful implementation of this PoP, consider applying this same zoning for other properties deemed high to medium risk for purchase and reallocation by a developer. Although pressure will remain from corporate strength entities, adding a new zone designation for selected Lacey MHPs will create a strong bulwark against the loss of affordable housing for our most vulnerable citizens.

3. **Background**: While Lacey's economic and demographic growth over the past twenty years has provided a jolt to area business, it has come with unintended consequences for lower income individuals and families. Less educated and historically marginalized populations have found it increasingly difficult to procure affordable housing. This gap in affordable housing is directly tied to the rise of housing costs compounded by stagnating real wages. Abetting the problem, developers have not invested in MHP's for the past twenty years; they instead focused on single family and multi-family housing.[1] Since 2003, new home prices have increased *171%* while household income grew by only *16%*.[2] These diametric numbers underscore the discrepancy in the Lacey housing market. This lack of affordable housing is unsustainable and has supplemented the homeless problem and constricted family budgets for basic living requirements. Adding to the issues that MHP residents face is the recent entrance of large private equity investment firms into the MHP market, whom are buying traditional "mom and pop" parks and subsequently raising rents to unaffordable levels.[3] Taking no action will exacerbate this problem; Lacey must act. What is the best way forward?

1. Washington State Department of Commerce, *Manufactured Housing Communities Workgroup Report*, December 2020, 6.
2. Thurston Regional Planning Council, *The Profile: Land Use*, https://www.trpc.org/593/Land-Use. Accessed 18 April, 2023.
3. AP News, *Rents Spike as Big-Pocketed Investors Buy Mobile Home Parks*, https://apnews.com/article/mobile-home-parks-rent-investors-8dbadf3f9a33faddb06abc980b046176. Accessed 8 May, 2023.

4. **Facts**: The following are facts pertinent to determining viable courses of action.

- 28 MHP's exist in Lacey and the UGA. 12 MHP's are within the city limits
- Rent control is unlawful per Washington State Law (RCW 35.21.830) except for very limited circumstances
- E2SSB provides the Right of First Refusal for sale of MHPs to existing park residents[4]
- There has not been a new MHP constructed since 2011[5]
- The City's portion of property tax is the only portion thereof that can be leveraged
- MHP's provide the lowest housing cost in Lacey, averaging $653 per month in rent
- Housing prices have increased 171% since 2003[6]
- MHP residents required to relocate endure enormous strain financial strain (≥ $15,000) to move their home[7]

5. **Assumptions**: The following are assumptions pertinent to determining viable courses of action.

- Property (land) values will continue to rise faster than household incomes
- New MHP development will continue to follow past trends
- MHP's are under significant pressure from private equity firms and developers to sell their properties
- Property tax abatement is the only *financial* lever the City has to influence MHP owners
- Selling to the City, a Co-Op, or a nonprofit will stabilize rents "at-cost"
- MHP owners will act in "good-faith" when negotiating the sale of their property

6. **Possible Solutions**. Eight different solutions were initially identified as meeting the intent of ensuring MHP availability to Lacey citizens; of these initial eight, four were ratified as being feasible and acceptable for implementation. Of the four acceptable solutions, one (Right of First Refusal, 6.e.) became irrelevant with the passage of E2SSB 5198. The four eliminated solutions focused on creation of new MHPs and are beyond the scope of this initial study; however, it is possible to use the eliminated solutions for future studies of creating MHP's in Lacey. The eight total solutions, and their reasons for inclusion or elimination, are listed below.

a. Creation of Governmental Nonprofit Partnerships: *The City partners with a nonprofit or Co-Op to develop new parks from the ground up*. While worthy of further exploration with nonprofits such as "Homes First!", this study focuses on keeping the current MHP inventory.

b. Utilize Housing Authorities to Develop New Communities: *Locally funded through the City, manufactured home parks are constructed proximally to schools and public transportation by HOA's*. While a valid course of action to explore, this solution exceeds the scope of this study.

c. Reduction of Barriers to Development: *Eliminate barriers that include zoning regulation changes (i.e. allow new parks in all residential zones), and parcel size requirements; provide more latitude to developers with regard to design and configuration*. A solution that can be explored further, but exceeds the scope of this study.

d. Financial Incentives for Developers. *Provide tax-exemptions if new MHPs create "affordable" homes; allow expedited permitting and impact fee waivers; waivers or reductions to utility connection*

4. Senate Democrats, *Legislation to Protect Residents of Manufactured Home Parks Signed Into Law,* Legislation to protect residents of manufactured home parks signed into law - Sen. Noel Frame (wa.gov). Accessed 8 May, 2023.
5. Information gathered by conducting site visits to MHP's located within city limits and through GIS information on City of Lacey portal, https://laceyportal.wa.us/portal/apps/sites/#/cityoflacey.
6. Thurston. Accessed 18 April, 2023.
7. Commerce, *Workgroup Report*, 3.

fees; defer payment of infrastructure costs; provide a waiver of planning and permit fees for qualified projects. This, again, exceeds the scope of this study, but worthwhile to explore in a future examination.

e. Right of First Refusal. *Exempt MHP owners from capital gains taxes or real estate excise tax in exchange for selling their property to nonprofits, Homeowner Associations, Public Entities, or Cooperatively Owned Properties*. This solution is feasible and acceptable; however, this solution became redundant due to passage of E2SSB 5198 in April, 2023.

f. Tax Incentives for Maintaining Current Land Use for Set Terms. *Establish a tiered approach that grants a certain level of tax abatement with a proportionate guarantee of the current MHP use*. This solution is feasible and acceptable and is examined further in COA Analysis and COA Comparison.

g. Rezoning of MHPs. *Protect and ensure MHP exclusivity by establishing a new zone designation for these housing areas.* This solution is feasible and acceptable and is examined further in COA Analysis and COA Comparison.

h. City Purchase of Existing MHPs. *The City purchases MHPs after park residents forego the option to purchase their park.* This solution is feasible and acceptable and is examined further in COA Analysis and COA Comparison.

7. **Criteria**.

a. Evaluation Criteria. Five criteria were identified as being absolute to the importance of each analyzed COA, ranked in descending order.

(1) *Duration of Effectiveness.* This criterion describes how long a course of action will endure.

(2) *Cost to the City.* Relates to the loss of income or incurred expenditure a course of action will cost the City.

(3) *Infringement of Rights.* A criterion encapsulating how much a COA will deprive MHP owners of full economic autonomy of their property.

(4) *Time to Implement.* Captures how long a COA will take to fully implement through the varied bureaucratic and legislative avenues to approval.

(5) *Rent Stabilization*. Criterion that impacts how well a selected COA will slow or halt rent increases.

b. Weighting of Criteria. Criteria weights are ranked from 1-4, with 1 being lowest (worst) and 4 highest (best).

(1) *Duration of Effectiveness.* This criterion is rated as “heavily favored” as the selected COA must be able to endure indefinitely in order to provide the greatest utility to MHP residents. A COA that provides the greatest capacity to provide the longest relief to MHP residents is deemed to be most desirable. This criterion is therefore weighted as a “4”.

(2) *Cost to the City.* While important to the overall solution, it is less so than the duration of effectiveness and is rated as a “favored” criterion. The economic impacts of City decisions are usually

weighted quite heavily in any impactful decision; this COA is not any different. While important, it is not the most pertinent factor, and weighted as a “3”.

(3) *Rent Stabilization*. A key facet of the overall importance to the selected COA is the ability to positively impact the rents for city MHP’s. As a primary driver for affordable housing, this condition is rated as a “favored” criterion, and weighted as a “3”.

(4) Infringement of Rights. Less important, but still impactful to the selected COA, is the loss of economic freedom to the MHP owners. Rated as “slightly favored”, it is weighted as a “2”.

(5) Time to Implement. The least impactful to the selected COA is how long the COA will take to implement. It is expected that no COA will result in immediate implementation, however, there will be differences in the path to acceptance whether though the City Council or Lacey constituency. Rated as “slightly favored”, it is weighted as a “2”.

8. **Analysis**.

a. Screened Out Courses of Action. Screened out COAs are those that advocate for the development of new MHPs in the Lacey and UGA. While these COAs are feasible and acceptable, they are beyond the scope of the current study and will be analyzed in the future.

b. Course of Action #1. *Property Tax Incentives for MHP Exclusivity Guarantee*.

(1) Advantage. Ensures that in the event of a property sale, utilization as an MHP will not change.

(2) Disadvantages.

I. The financial leverage applied through property tax abatement is disproportional to cash flows generated by each property. As an example, the annual cash flow of Mountain Green Manufactured Home Estates for 2022 is estimated at $1.9 million.[8] The property tax that the City is able to leverage for this COA is $8,602, which is equal to 0.45% of Mountain Green’s estimated cash flow. At this disproportionate level, the capacity for this COA to reach agreement is very low.

II. Implementation of this COA (against all 12 city MHPs) will cost the City approximately $35,000 (utilizing 2022 property assessment values) in realized property tax receipts. While not overly significant to the total city budget, allocating $35,000 to fund this course of action could be viewed in a negative light by constituents who might place more value on other vital areas of interest.

8. Office of the Thurston County Assessor, https://tcproperty.co.thurston.wa.us/propsql/value.asp?fe=PS&pn=11833310100. Accessed 10 April, 2023.

c. Course of Action #2. *City Purchase of Eligible MHP*.

(1) Advantages.

I. Proactive approaches by the City to create affordable housing will be looked at favorably by Lacey residents, primarily those on the lower end of household income.

II. City stewardship guarantees that rent remains “at cost”.

(2) Disadvantages.

I. Actioning this COA is incumbent upon residents bypassing their right of first refusal to purchase the property.

II. Funds to purchase the MHP are set aside from other budgetary requirements. The average assessed value of Lacey MHPs was $3,900,000 in 2022; the purchase price for a MHP is likely ten percent to twenty percent higher than the assessed value.[9]

III. The City is required to manage the property in perpetuity.

d. Course of Action #3. *Zoning Change*.

(1) Advantages.

I. The City will not incur any costs through a zoning change. Tax receipts will not decrease as the assessed value of the land is solely based both the location and the land itself; the buildings are owned by the residents rather than the MHP ownership.

II. Regardless of which entity the MHP is sold to, the zoning change guarantees that the new owner cannot use the land for any other purpose. Both commercial and residential developers are locked out of changing the use.

(2) Disadvantages.

I. This COA is by far the most restrictive to MHP owners and locks them into a sole purpose function of their property. Legal precedent for this COA has already been set by the city of Tumwater as they legally rezoned their MHP’s within their municipal code in 2009.[10]

II. Committing to an MHP zone designation will inhibit prospective future buyers and reduce the amount that these properties can sell for. It is possible, however unlikely, that locking these properties into an MHP designation could force an owner to sell their property at a loss.

9. **Comparison**. Each COA is compared utilizing previously identified criteria. Values reflect the relative advantages or disadvantages of each criterion against each COA and the five criteria are weighted according to the impact they have on each COA. The higher values signify a more favorable advantage (the higher the number, the more favorable score). The score in each parenthetical is the result after the weight is applied to the value of each criterion. Figure 1 lays out the weights and COAs and how they compete against each other.

9. Zoom meeting regarding MHP Co-Op procedures and purchases with Victoria O’Banion of Northwest Cooperative Development, 11 May, 2023.
10. Tumwater Municipal Code, Chapter 18.49 (Manufactured Home Park Zone District), [Chapter 18.49 MHP MANUFACTURED HOME PARK ZONE DISTRICT (codepublishing.com)](). Accessed 19 April, 2023.

Weight	**3**	**2**	**2**	**4**	**3**	**Total**
Criteria / Course of Action	Cost to City	Infringement of Rights	Time to Implement	Duration of Effectiveness	Rent Stabilization	
COA 1 (Tax Break)	2 (6)	4 (8)	2 (4)	3 (12)	2 (6)	36
COA 2 (City Purchase)	1 (3)	4 (8)	1 (2)	4 (16)	4 (12)	41
COA 3 (Rezoning)	4 (12)	1 (2)	3 (6)	4 (16)	2 (6)	42

Figure 1

a. *Cost to City*. COA #3 demonstrates the best outcome (12) for this criterion; the only cost to the City is in workable hours for staffing and implementation. COA #1 is second (6), as it will likely require some kind of subsidizing to enable a public entity to purchase the MHP over a private firm. This criterion is the worst (3) for COA #2 as the cost associated with purchasing an average Lacey MHP is over $4,000,000.

b. *Infringement of Rights*. COAs #1 and #2 demonstrate the best outcome (8) for this criterion; there are no rights that are impinged and are actually beneficial and result in a net monetary gain to the MHP owner. Taking rights away shows the greatest impact (2) on COA #3 as a rezoning completely locks the property owner out of repurposing their land.

c. *Time to Implement*. COA #3 demonstrates the best outcome (6) for this criterion as it only requires staffing and approvals at the City Council level and does not require a voting referendum to be approved. COA #1 (4) will take more time to implement as it likely requires a balloting action from voters in order to approve removing tax receipts from the City. COA #2 is lowest rated for this criterion as it not only likely needs approval from constituents, it also requires budgeting analysis and reallocation.

d. *Duration of Effectiveness*. This most heavily weighted criterion shows it as the most impactful for COAs #2 and #3 (16). Enacting COA #3 into the Lacey Municipal Code will ensure that an MHP will remain as such for as long as the City applies the zone. A City purchase of an MHP (COA #2) will last in perpetuity until such time the City deems it no longer viable. COA #1 demonstrates solid effectiveness (12), but only for as long as the MHP property owner keeps their property. Once the MHP owner sells, the COA becomes ineffective.

e. *Rent Stabilization*. The ability to slow increasing rents is an important part of affordable housing; as such, this criterion is weighted as a "3". COA #2 demonstrates the best performance when this criterion is applied as the City can fully control rent at "at-cost" levels; rent should never increase for the duration of City stewardship. COAs #1 and #3 show slight capabilities to control rent as they make it harder on corporate entities to buy the property and subsequently raise the rent.

f. *Total.* After carefully assessing each criterion by value and weight against each COA, COA #3 demonstrates the greatest benefit with 42 total points and is therefore recommended as the way forward to ensure longevity of Lacey's MHPs. While COAs #1 and #2 have utility, they do not demonstrate the same level of effectiveness.

10. **Conclusion**. COA #3 presents the best solution to ensure that the City's MHP's can be conserved. While there can be hybridization of the COAs, COA #3 presents the greatest benefit when applied solely by itself. To apply this COA, it must be determined which properties are at greatest risk to loss.

11. Figure 2 displays the key metrics and data used to determine which properties present the greatest risk to being sold and/or repurposed by a developer. The following five sections will detail how the data is analyzed to determine Financial Risk and Total Risk.

Lacey Manufactured Home Park List

Park Title	# of Units	Rent (Avg)	Approx Cash Flow (MM/YR)	Park Condition (1-5)	Property Value (MM)	Financial Risk	Total Risk	Tax Paid FY22*	55+
Wooded Village	82	$570	0.561	2.5	3.93	7.01	2.80	$2,879	N
College Terrace	90	$650	0.702	2.5	4.17	5.94	2.38	$4,357	N
Rainier Vista Mobile Park	151	$585	1.06	2.5	5.95	5.61	2.25	$3,050	N
Emerald Park Manufactured Homes	33	$570	0.226	4.5	2.00	8.85	1.97	$1,465	Y
Wildwood MH Park	46	$675	0.376	3	2.18	5.80	1.93	$1,596	N
Martin Way Mobile Park	68	$675	0.553	2.5	2.67	4.83	1.93	$1,958	Y
Alpine Mobile Estates	50	$700	0.420	3.5	2.72	6.48	1.85	$1,991	Y
Crestwood MH Park	60	$600	0.432	4	2.83	6.55	1.64	$2,070	N
Meadow Green	20	$625	0.150	3.5	0.85	5.67	1.62	$482	N
Edge Lake MH Park	99	$650	0.772	3.5	4.07	5.27	1.51	$2,980	N
Mountain Greens MH Estates	174	$900	1.88	4.5	11.75	6.25	1.39	$8,602	N
Lakeview Meadows	82	$639	0.628	5	3.71	5.91	1.18	$2,718	Y

Figure 2

a. Definitions.

(1) Because MHP owners will not open their financial books for the purpose of this study, the annual cash flow is approximated. Annual cash flow is determined by the formula "CF = (R x S x O) x 12" where "CF" is the approximated annual cash flow, "R" is the rent, "S" is the number of spaces in the park, and "O" is the occupancy rate. Meadow Green MHP demonstrates the lowest cash flow ($.150 MM/YR) and Mountain Greens MH Estates the highest ($1.88 MM/YR).

(2) Park Condition is a subjective analysis based on a 1 through 5 scale. Figure 3 details how condition is determined.

<u>Condition Defined</u>:

1- Dire
2- Poor
3- Fair
4- Good
5- Excellent

<u>Factors Influencing Condition</u>:

- Cleanliness (roofs, walls, windows, rubbish)
- Average Home Age
- Aesthetics (lawns, décor)
- Uniformity (size, type of homes)
- Roadways (cracking, potholes)
- Ambient Noise (industrial, vehicular)
- Amenities (clubhouse, playground)

Figure 3

(3) Financial Risk is defined as the likelihood that an MHP owner would sell based strictly on how much cash flow the MHP produces relative to the value of the property. The formula used to determine Financial Risk is "AV / CF = FR" where "AV" is the assessed value for FY22, "CF" is the annual cash flow, and "FR" is the financial risk of the property being sold due to finances alone. The highest Financial Risk is in the Emerald Park MHP at 8.85 and the lowest is the Martin Way Mobile Park at 4.83.

(4) Total Risk is the overall risk when the *condition* of the MHP is applied to the Financial Risk. This metric captures how likely an MHP will be sold and repurposed. It is defined as "FR / PC = TR" where "FR" is the Financial Risk, "PC" is Park Condition and "TR" is Total Risk. The highest Total Risk is Wooded Village at 2.80, and the lowest in Lakeview Meadows at 1.18.

(5) High Risk properties are defined in a value range of 3.0 to 1.95 and listed in "red" in Figure 2. Medium Risk properties are defined in a value range of 1.94 to 1.6 and listed in "yellow" in Figure 2. Low Risk properties are defined in a value range of 1.59 to 1.10 and listed in "green" in Figure 2.

b. Selected Course of Action Application (COA #3: Rezoning).

(1) With four High Risk properties identified, it can be assumed that COA #3 should be applied to all four. However, since this COA will be applied in a limited scope, rezoning should be employed judiciously. The top two properties targeted for COA #3 is the highest *Total Risk* MHP, Wooded Village, and the highest *Financial Risk* MHP, Emerald Park Manufactured Homes.

(2) Wooded Village is tied for the poorest condition of any MHP in the Lacey city limits and has a below average cash flow, making it a prime target for application of COA #3. While in poor to fair condition, it is estimated to be in salvageable condition going forward. This MHP provides affordable housing to approximately 205 people.

(3) Emerald Park Manufactured Homes is by far the riskiest property with regard to its cash flow and property value. The extremely low annual estimated cash flow of $226,000, combined with a property value of $2,000,000, makes it a prime target of developers to repurpose for far greater returns on investment. This property is also an excellent candidate for a corporate MHP entity to purchase and subsequently increase rent for current residents. While this property will raise its rent 5.2% in July 2023, it is not enough to significantly reduce its financial risk.

12. **Point of Contact**. The POC for this study is Gordon Gimse; email at ggimse@ci.lacey.wa.us.

Gordon R. Gimse
Planning Intern (Military)
Community Development
City of Lacey

Enclosures

1- Lacey MHP Data
2- Staff Study Slides

Lacey Manufactured Home Staff Study

Course of Action Recommendation for MHP Preservation

OPR: Gordon Gimse, Planning Intern (Military)

Agenda

- Introduction: The Problem
- Manufactured Home Parks Matter for Affordable Housing
- Facts
- Assumptions
- Park Condition Examples
- Risk to Loss
- Course of Action Analysis
- Course of Action Comparison
- Course of Action Recommendation
- Conclusion

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Introduction: The Problem

Private Equity Market Entrance

Traditional “mom and pop” owned MHP’s are in danger of being eradicated by large investment firms. Since 2015, these firms have purchased almost 1/3 of the mobile parks in the US.

Lack of New MHPs

Since 2000, only one new MHP has been constructed. Developers have instead focused on single family plats and apartment complexes.

Rapid Increase of Housing and Land Prices

New house prices have increased 171% since 2003, concomitantly increasing rent across all housing sectors.

Opportunity Cash Flow

Developers are incentivized to build large multifamily homes for far greater cash flow per square foot.

Nimbyism

Residents are resistant to MHP’s in their neighborhoods.

Lacey Manufactured Home Parks:
An economic way to build equity

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MHP's Matter to Affordable Housing

Serving as a "middle rung" between traditional single-family homes and apartment type dwellings, manufactured homes provide a low cost housing solution that also builds equity for the homeowner. While talking to residents of every park they described some of the reasons as to why MHP's work for them.

- **Low Cost.** The majority of the residents inside MHP's are either on a fixed income (disabled or retired) or they are part of a disadvantaged group. Of the latter, many lack education and/or skills, are immigrants who speak English as a second language, or have a large family to support.

- **Autonomy.** Having their own home provides residents a modicum of privacy not found in a traditional apartment. Residents typically have their own attached garage and adjoining space to store items too large for the home. Ambient noise from neighbors is less than that of an apartment, giving them a better sense of privacy.

- **Sense of Community.** More often seen in the 55+ MHP's, there is a feeling of pride in some of the nicer parks, especially those with a club house or central meeting area.

Rising rent is a common worry amongst most park residents. Lacey MHPs fall within a general range of $575 to $675 a month for rent and rates typically demonstrate a linear relationship to the park condition. However, many have seen yearly raises, exacerbated by the rapid rise in inflation over the past two years. All residents are aware of their rents increasing within the next 6 months, with most increases loosely tied to the CPI. Wildwood MHP, next to Costco, has seen its rent rise almost 70% in eight years ($400 in 2015; now $675).

FACTS

<u>FACTS</u>

- There are 28 MHP’s in Lacey+UGA; 12 MHP’s are within the city limits
- Rent control is unlawful per Washington State Law (RCW 35.21.830) except for very limited circumstances
- E2SSB 5198 provides the Right of First Refusal for sale of MHP’s to existing park residents
- No MHP has been constructed since 2011
- The City’s share of property tax is the only portion thereof that can be leveraged
- MHP’s provide the lowest rent in Lacey, averaging $653 per month
- Housing Prices have increased 171% since 2003
- MHP residents required to relocate endure enormous financial strain (≥ $15,000) to move their home

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Assumptions

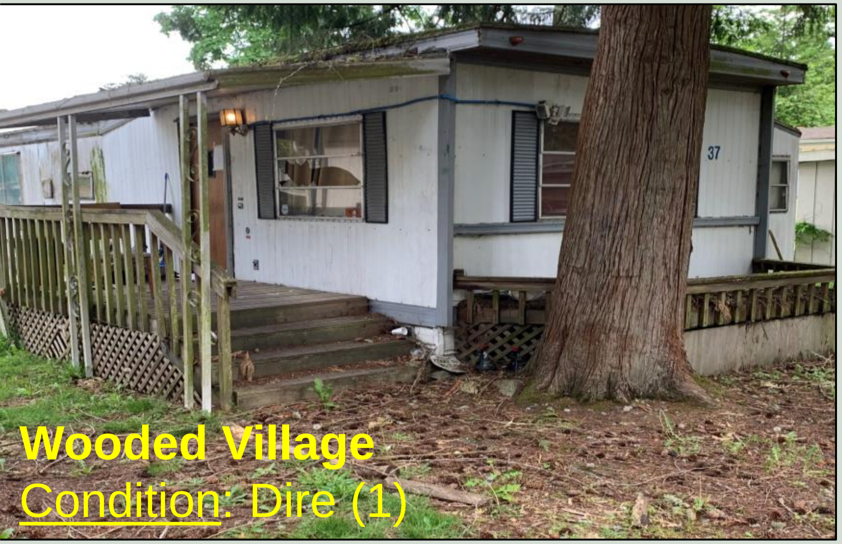
ASSUMPTIONS

- Property (land) values will continue to rise faster than household incomes
- New MHP development will continue to follow past trends
- MHP's are under significant pressure from private equity investors to sell
- Property tax abatement is the only *financial* lever the city has to influence MHP ownership
- Selling to the City, a Co-Op, or a nonprofit entity will stabilize rents "at-cost"
- MHP owners will act in "good-faith" when negotiating the sale of their property

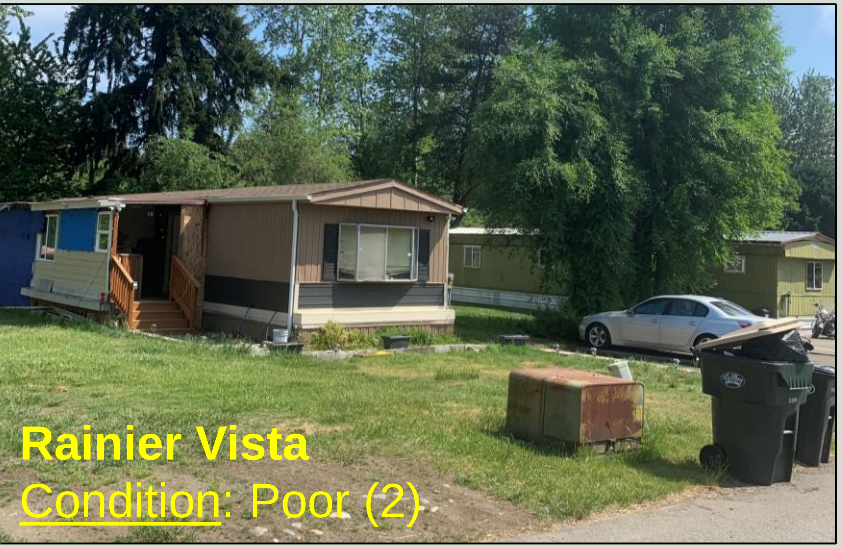
Park Condition Examples

Factors Influencing Condition:

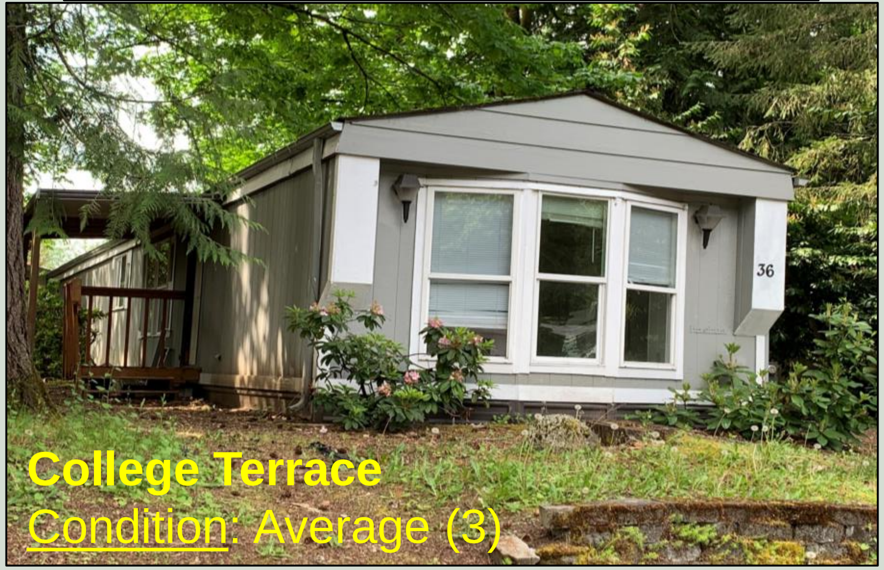
- Cleanliness (roofs, walls, windows, rubbish)
- Average Home Age
- Aesthetics (lawns, décor)
- Uniformity (size, type of homes)
- Roadways (cracking, potholes)
- Ambient Noise (industrial, vehicular)
- Amenities (clubhouse, playground)



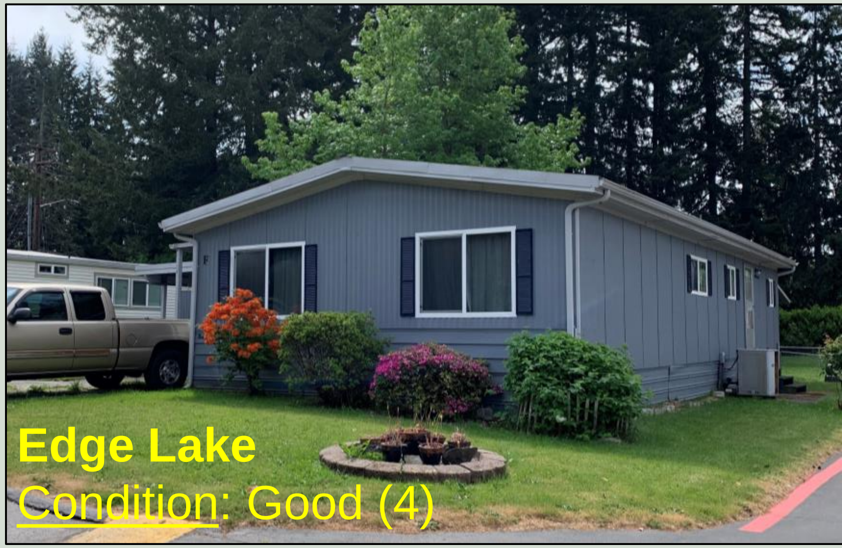
Wooded Village
Condition: Dire (1)



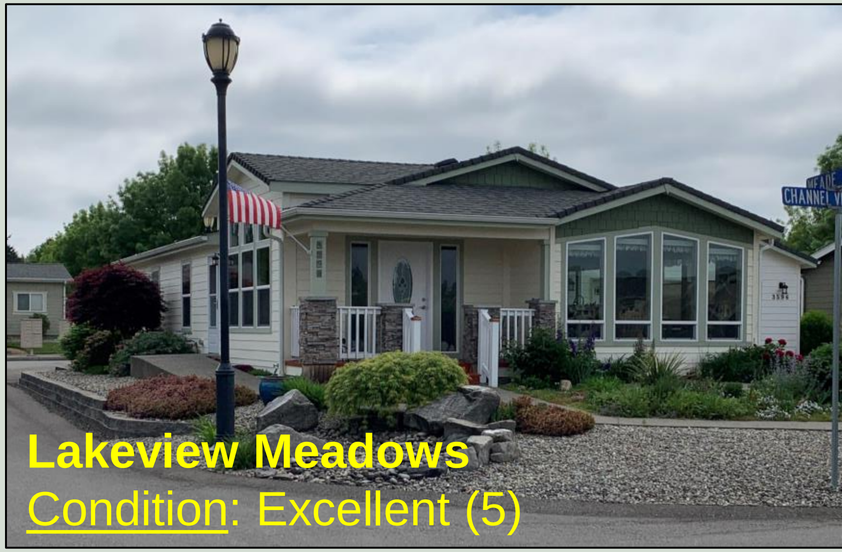
Rainier Vista
Condition: Poor (2)



College Terrace
Condition: Average (3)



Edge Lake
Condition: Good (4)



Lakeview Meadows
Condition: Excellent (5)

Risk to Loss

Lacey Manufactured Home Park List

Park Title	# of Units	Rent (Avg)	Approx Cash Flow (MM/YR)	Park Condition (1-5)	Property Value (MM)	Financial Risk	Total Risk	Tax Paid FY22*	55+
Wooded Village	82	$570	0.561	2.5	3.93	7.01	2.80	$2,879	N
College Terrace	90	$650	0.702	2.5	4.17	5.94	2.38	$4,357	N
Rainier Vista Mobile Park	151	$585	1.06	2.5	5.95	5.61	2.25	$3,050	N
Emerald Park Manufactured Homes	33	$570	0.226	4.5	2.00	2 8.85	1.97	$1,465	Y
Wildwood MH Park	46	$675	0.376	3	2.18	5.80	1.93	$1,596	N
Martin Way Mobile Park	68	$675	0.553	2.5	2.67	4.83	1.93	$1,958	Y
Alpine Mobile Estates	50	$700	0.420	3.5	2.72	6.48	1.85	$1,991	Y
Crestwood MH Park	60	$600	0.432	4	2.83	6.55	1.64	$2,070	N
Meadow Green	20	$625	0.150	3.5	0.85	5.67	1.62	$482	N
Edge Lake MH Park	99	$650	0.772	3.5	4.07	5.27	1.51	$2,980	N
Mountain Greens MH Estates	174	1 $900	1.88	4.5	11.75	6.25	1.39	$8,602	N
Lakeview Meadows	82	$639	0.628	5	3.71	5.91	3 1.18	$2,718	Y

* Tax portion paid to City

1 By far the highest rent, Mountain Greens switched from 55+ to all ages in late 2022.

2 Emerald Park is raising its rent from $570 to $600 in JUL23.

3 The newest MHP, Lakeview Meadows, is quasi-subsidized ($639 rent) as all homes are bought from the MHP owner, DeTray's. All homes are modular, with purchase prices of approximately $275,000.

Cash Flow:

Cash Flow = Rent x Spaces x Occupancy %

CF = R x S x O x 12

Financial Risk:

Assessed Value / Cash Flow = Financial Risk

AV / CF = FR

Total Risk:

Financial Risk / Park Condition = Total Risk

FR / PC = TR

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COURSE OF ACTION ANALYSIS

With a mandate to focus on continuity of the MHP's within city limits, the following Courses of Action (COA) are considered:

- **COA 1: Property Tax Break Incentives for MHP Exclusivity**
- **COA 2: City Purchase of MHP**
- **COA 3: Change Zoning Laws**

COA 1: Tax Breaks for MHP Exclusivity

Pro:
- Ensures that in the event of sale, the MHP will remain as a MHP

Cons:
- The available financial leverage is not proportional to cash flows
- Reduces tax income to the City

COA 2: City Purchase

Pro:
- Demonstrates City commitment to affordable housing
- Ensures rent "at cost"

Cons:
- Incumbent upon MHP residents bypassing right to purchase
- Purchase funds will have to be set aside from another budgetary requirement
- Requires direct management of City

COA 3: Zoning Change

Pros:
- No cost to the City
- Protects the MHP from commercial or other residential development

Cons:
- Strips property freedoms from current MHP owners
- Prospective buyers will be reluctant if land use is prohibitive (could reduce land value)

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Course of Action Comparison

The following chart will compare each COA against each other utilizing five criteria. While each criterion impacts the outcome, they don't do so equally. Weights are applied to each relative to their impact.

Weight	**3**	**2**	**2**	**4**	**3**	**Total**
Criteria / Course of Action	Cost to City	Infringement of Rights	Time to Implement	Duration of Effectiveness	Rent Stabilization	
COA 1 (Tax Break)	2 (6)	4 (8)	2 (4)	3 (12)	2 (6)	36
COA 2 (City Purchase)	1 (3)	4 (8)	1 (2)	4 (16)	4 (12)	41
COA 3 (Rezoning)	4 (12)	1 (2)	3 (6)	4 (16)	2 (6)	42

Weight	Values reflect the relative advantages or disadvantages of each criterion for each COA. The higher values signify a more favorable advantage (the higher the number, the more favorable score).

Now that the most feasible COA has been identified, it is now imperative to decide how and where this COA is applied. The following slide identifies the best options.

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Course of Action Recommendation

There are four high risk MHP's that make the most sense to apply the selected COA against. However, since this COA has not yet been utilized within the City, it is recommended to treat this as a *Proof of Principle* and limit the scope of implementation. It is recommended that rezoning be applied to two properties.

Lacey Manufactured Home Park List

Park Title	Approx Cash Flow (MM/YR)	Park Condition (1-5)	Financial Risk	Total Risk
Wooded Village	0.561	2.5	7.01	1 2.80
College Terrace	0.702	2.5	5.94	2.38
Rainier Vista Mobile Park	1.06	2.5	5.61	2.25
Emerald Park Manufactured Homes	0.226	4.5	2 8.85	1.97
Wildwood MH Park	0.376	3	5.80	1.93
Martin Way Mobile Park	0.553	2.5	4.83	1.93
Alpine Mobile Estates	0.420	3.5	6.48	1.85
Crestwood MH Park	0.432	4	6.55	1.64
Meadow Green	0.150	3.5	5.67	1.62
Edge Lake MH Park	0.772	3.5	5.27	1.51
Mountain Greens MH Estates	1.88	4.5	6.25	1.39
Lakeview Meadows	0.628	5	5.91	1.18

1 **Wooded Village** presents the highest risk MHP in Lacey. The overall poor condition relative to its income makes it the best candidate to be purchased and repurposed by a developer. *Rezoning this property* will protect it from commercial development and ensure that approximately 200 people residents will not have to relocate.

2 **Emerald Park** carries a 26% higher financial risk than Wooded Village. This location will raise its rent by 5.2% in July 2023, but is not enough to significantly reduce its financial risk. This risk, combined with its location, makes Emerald Park is an *extremely high risk property to be repurposed*.

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Conclusion

Throughout this study, residents freely shared their concerns, and those concerns center around two primary fears.

First, they are greatly concerned about rents increasing year over year. Almost all asked what could be done to bring them down or at least freeze them. Assuring them that the City cannot legally dictate either, the purpose behind this study was described to them. Some frowned, as, in their opinion, the City has over-promised or not listened in the past. Others were happy that the City is aware of their concerns and looking at ways to address them.

Second, they hear rumors of the MHP owners open to selling their property. True or not, it puts a great deal of worry on their minds. With the all the other issues in their lives, worrying about their home shouldn't be one of them.

Applying one or more of the COAs is an important step to ensure MHP residents continue to have a place to call home.

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Way Forward

- Deeper Dive
  - Utilities
  - Demographics
  - Mobile/Manufactured Home Ages
- Staff Study White Paper Refinement (second draft complete)
- Analysis of UGA MHP’s
- Resident Outreach
- Co-Op Relationship Building and Collaboration

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Park Title	Address	City Limit / UGA	# of Units	Rent (Avg)	Utilities Paid?	Approx Cash Flow (MM/YR)	Park Condition (1-5)	Property Value (MM)	Financial Risk	Total Risk	Tax Paid FY22*	Year Built
Wooded Village	4401 37th Ave	City Limit	82	$570		0.561	2.5	3.93	7.01	2.80	$2,879	1976
College Terrace	3805 College St SE	City Limit	90	$650		0.702	2.5	4.17	5.94	2.38	$4,357	1987
Rainier Vista Mobile Park	8530 Steilacoom Rd SE	City Limit	151	$585		1.06	2.5	5.95	5.61	2.25	$3,050	1980
Emerald Park Manufactured Homes	5250 College St SE	City Limit	33	$570		0.226	4.5	2.00	8.85	1.97	$1,465	1988
Wildwood MH Park	8510 Martin Way	City Limit	46	$675		0.376	3	2.18	5.80	1.93	$1,596	1962
Martin Way Mobile Park	8103 Martin Way E	City Limit	68	$675		0.553	2.5	2.67	4.83	1.93	$1,958	1950
Alpine Mobile Estates	7300 32nd Ave	City Limit	50	$700		0.420	3.5	2.72	6.48	1.85	$1,991	1972
Crestwood MH Park	4500 Ruddell Rd SE	City Limit	60	$600		0.432	4	2.83	6.55	1.64	$2,070	1986
Meadow Green	4830 Pacific Ave SE	City Limit	20	$625		0.150	3.5	0.85	5.67	1.62	$482	1966
Edge Lake MH Park	3928 21st Ave SE	City Limit	99	$650		0.772	3.5	4.07	5.27	1.51	$2,980	1970
Mountain Greens MH Estates	5280 55th Ave SE	City Limit	174	$900		1.88	4.5	11.75	6.25	1.39	$8,602	1973
Lakeview Meadows	4300 37th Ave SE	City Limit	82	$639		0.628	5	3.71	5.91	1.18	$2,718	2011
Grinwood MH Park	2712 Hazelwood Ln SE	Switching to Apts	10				1	1.03				1975
Cham Association**	4200 20th Ln NE	UGA	40	$2,400	No	1.12	4	1.65	1.47	0.37	$0	1997
M&N MH Park	439 Duterrow Rd SE	UGA	20				3	0.97	#DIV/0!	#DIV/0!	$0	1950
Hidden Village	4600 17th Lane NE	UGA	20				3.5	0.71	#DIV/0!	#DIV/0!	$0	1999
Loncar Mobile Park	510 Duterrow Rd SE	UGA	40				3.5	2.16	#DIV/0!	#DIV/0!	$0	1987
Lakeside Villa MH Park	6200 Fair Oaks Rd SE	UGA	79				3.5	2.30	#DIV/0!	#DIV/0!	$0	1970
Shamrock Trailer Park & Sales	6814 Martin Way SE	UGA	17				1.5	0.56	#DIV/0!	#DIV/0!	$0	1940
Tony's MH Park	6831 Martin Way E	UGA	61				1.5	1.57	#DIV/0!	#DIV/0!	$0	1950
Blue Moon Trailer Court	7838 Martin Way E	UGA	20				2	1.30	#DIV/0!	#DIV/0!	$0	1949
Shangrila	8005 Martin Way E	UGA	35				1.5	1.12	#DIV/0!	#DIV/0!	$0	1987
3CS MH Park	8809 Steilacoom Rd SE	UGA	30				3	1.31	#DIV/0!	#DIV/0!	$0	1998
Valley View MH Park	8935 Pacific Ave SE	UGA	18				2.5	0.54	#DIV/0!	#DIV/0!	$0	1975
Washington Land Yacht Harbor MHP***	9101 Steilacoom Rd SE	UGA	192	$200	S,W,G	0.500	4.5	8.96	N/A	N/A	$0	1972
Union Mills Mobile Estates	915 Union Mills Rd SE	UGA	14	$600	S,W	0.101	3.5	0.73	7.23	2.07	$0	1947
Golden Oaks MH Park	9400 Mullen Rd SE	UGA	20				3.5	0.74	#DIV/0!	#DIV/0!	$0	1969
Alonda Village	1301 Alonda LN	UGA	129	$795	S,W,G	1.23	4.5	7.99	6.50	1.44	$0	1969
Laurel Oaks	8030 18th Ln SE	UGA	148				4.5	11.74	#DIV/0!	#DIV/0!	$0	1994