

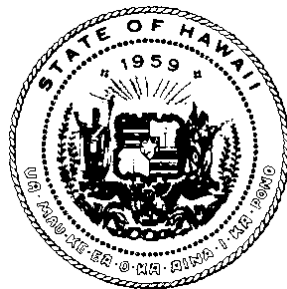
REPORT TO THE TWENTY-FOURTH LEGISLATURE

STATE OF HAWAII

2007

PURSUANT TO HOUSE CONCURRENT RESOLUTION 202

Requesting the Housing and Community Development Corporation of Hawaii, in Consultation with the Department of Land and Natural Resources, the Department of Hawaiian Home Lands, the Office of Hawaiian Affairs, the Land Use Commission, the Office of Planning, the Office of Environmental Quality Control, the United States Armed Forces in Hawaii, the Counties, and the Affordable Housing and Homeless Alliance to Study the Use of Mobile Home Parks as a Possible Option for Solving Hawaii's Affordable Housing Crisis



Prepared by:

HAWAII HOUSING FINANCE AND DEVELOPMENT CORPORATION

REPORT TO THE LEGISLATURE

Legislative History

The 2006 Legislature, via House Concurrent Resolution (HCR) 202, directed the Housing and Community Development Corporation of Hawaii (HCDCH) to study the potential of mobile homes, also known as manufactured housing, as a solution to Hawaii's affordable housing crisis. Pursuant to Act 196, Session Laws of Hawaii (SLH) 2005, as amended by Act 180, SLH 2006, effective July 1, 2006, the Hawaii Housing Finance and Development Corporation (HHFDC), is the successor to the HCDCH with respect to affordable housing financing and development. Accordingly, the HHFDC has prepared the following report.

The HHFDC invited all the named entities to participate by providing their comments and recommendations in response to HCR 202. A list of participants from each entity is located in the Appendix to this Report.

Background

Although HCR 202 used the term "mobile home park," it was determined that the intent of the resolution was to study manufactured housing rather than mobile home trailers. The term "manufactured home" specifically refers to a home built entirely in a factory certified to meet the requirements of the federal building code promulgated by the U.S. Department of Housing and Urban Development (HUD). Local governments do not have jurisdiction over building codes for manufactured housing, because of this federal preemption.

In contrast to a mobile home trailer, which is supported by wheels and can be moved, a manufactured home is a housing unit built in a factory and then taken to the place where it will be occupied and tied down to a foundation. Manufactured homes more closely resemble stick-built homes in appearance, rather than recreational vehicles or trailers. They have a more permanent look and feel, yet retain the ability to be moved from site to site. The aesthetic value of the manufactured home is directly tied to community acceptance of such developments.

In the past, mobile home parks have been thought of as substandard. With more modern manufactured home parks, however, this is not necessarily the case. Many have regulations concerning the size and styles of homes permitted. Many are somewhat similar to more traditional subdivision developments, albeit with increased density.

Nationally, most manufactured homes are considered personal property, not real property, and are financed using personal property loans, not mortgages. Purchasers of such homes in other jurisdictions often do not have the same types of protections afforded under foreclosure laws. Typically, foreclosures are subject to non-recourse loan provisions, which limit lender recovery to the proceeds from the foreclosure sale alone. Because manufactured homes are considered personal property, in the event of default of a loan, lenders may repossess the manufactured home, and still remain entitled thereafter to pursue debtors for deficiency judgments for the

balance of the loan debt. Such consumers must continue to make payments on homes in which they no longer can live.¹ However, in Hawaii, manufactured homes can be used as security collateral for mortgages. Hawaii lenders could issue portfolio mortgage loans and hold for sale to the secondary market in the future.

Manufactured homes generally do not appreciate in value to the same extent as stick-built homes. However, depreciation rates of manufactured homes are related closely to the type of land tenure held by the owner, in addition to other factors also affecting stick-built homes, such as location, aesthetic value of the home, and the condition of the property.² If they are located on rented lots, manufactured homes tend to depreciate at rates similar to other types of personal property, like automobiles. If the homeowner is able to purchase or obtain a long-term lease to his lot rather than renting, the likelihood of appreciation increases significantly.

Manufactured housing communities still need infrastructure and basic services, like water, sewer, and electricity, and also require the coordination of city and state services, such as trash pickup. In addition to the essential elements required for operation, a proper manufactured housing community would need a place for residents to park their cars. A curb and gutter system is essential to prevent flooding when it rains. Additionally, most successful manufactured housing communities have a common outdoor area, or a park, where residents can socialize with other residents.

Discussion

HCR 202 proposed the use of mobile home parks on state lands as a potential solution to the affordable housing shortage in the State of Hawaii. As discussed previously, the HHFDC instead looked at manufactured housing developments rather than mobile home parks. Local zoning requirements, costs, and whether manufactured housing developments fit into the character of the communities in which they can be placed were considered.

Development Costs

As an initial matter, the costs of manufactured housing development, as opposed to stick-built housing development, should be such that affordable projects are economically feasible. Manufactured housing advocates propose that manufactured housing communities be placed on available state lands at a lease rent of \$1 per year in order to make such communities economically feasible. The HHFDC currently has statutory authority to lease state lands to self-help housing organizations at a least rent of \$1 per year.

Excluding land costs, the major components of total development cost would include costs of construction, infrastructure, and conformity with county zoning and/or state land use requirements.

¹ See *Manufactured Housing: A Home That the Law Still Treats as a Car.*, Consumers Union, February 2005.

² See *Manufactured Housing Appreciation: Stereotypes and Data*, Consumers Union, April 2003.

Construction

Previous attempts to establish Hawaii-based manufacturers of manufacturers were not successful. One example, Quality Homes, attempted to manufacture units for Department of Hawaiian Home Lands (DHHL) properties in the Villages of Kapolei. It was unsuccessful because HUD did not approve its house package, which was modified from its original model to meet the Villages of Kapolei's covenants and restrictions. HUD approval was needed for homestead properties. It also appears that there was insufficient capital to sustain the company.

Without a Hawaii source of manufactured homes, units would have to be imported from the continental United States. Manufactured housing advocates provided the HHFDC with the following cost estimates utilizing this scenario:

- Cost of pre-manufactured home landed in City and County of Honolulu -- \$100,000
- Estimated cost of landscaping, lot preparation, and foundation/installation of home -- \$125,000.

Total cost per manufactured home (excluding infrastructure and cost of land): \$225,000

By means of comparison, in 2005, the cost of construction for a stick-built single-family home in the City of County of Honolulu was \$206,468³ (excluding infrastructure and cost of land).

Self-help housing non-profit organizations in the City and County of Honolulu also provided the HHFDC with estimates ranging from \$60,000 to \$120,000 per single-family home (stick-built), excluding infrastructure and land costs. A self-help housing non-profit operating in the County of Hawaii provided the HHFDC with estimates of \$165,000 per single-family home (stick-built), including the cost of land.

Infrastructure

Because manufactured homes require the same services as traditional housing -- power, water, and sewer hookups, access to roads and transit lines, and other county services, we do not anticipate that infrastructure costs of developing manufactured housing communities will differ significantly from stick-built affordable housing communities developed under chapter 201H, HRS.

³ Source: *The State of Hawaii Data Book 2005*, Table 21.03 – Accepted Value Per Housing Unit for the City and County of Honolulu: 2003-2005.

Land Use

Should manufactured housing developments be established within the State Land Use (SLU) Urban District, they would be outside of the jurisdiction of the Land Use Commission (LUC). In these cases, the development would be subject to applicable ordinances established by the local county. In this instance, the county should have established appropriate regulations governing this type of operations. The LUC and the State Land Use Law would be silent on this matter.

Uses within the SLU Conservation District is exclusively governed by the Board of Land and Natural Resources (BLNR) or administratively by the Department of Land and Natural Resources (DLNR). Again the LUC and State Land Use Law would not apply to this situation.

Currently, the SLU Rural District generally requires that not more than one dwelling house per one-half acre be established. The statute is silent as to whether manufactured housing qualifies as a dwelling. However, a broad interpretation would seem to indicate that subject to appropriate county ordinances or building code, manufactured homes that maintain a minimum lot size of one-half acre could be established within the SLU Rural District.

There is currently a farm dwelling requirement for residential structures within the SLU Agricultural District. Again lacking clarity as to whether a manufactured home could qualify as a farm dwelling, a broad interpretation would indicate that subject to appropriate county ordinances or building code, manufactured homes that are accessory to a farm or agricultural operation could be established in the SLU Agricultural District. Manufactured housing developments, however, would be precluded from being established in the SLU as overnight accommodations are expressly prohibited within the SLU agricultural district on land rated by the Land Study Bureau as either A or B.

Within urban areas, there would not be a great deal of support for the establishment of such developments. Observations of such operations in the Los Angeles area are not favorable. Higher value neighbors would not appreciate if manufactured housing developments were established in the vicinity, thereby affecting property values.

Within agricultural areas, such operations would not be lawful or permissible. It would require that the county establish specific regulatory mechanisms should the operator pursue a district boundary amendment from the SLU Agricultural District to either the urban or rural district. As the urban district is not viable, we are left with the SLU Rural District. However, as already noted that currently on one-half acre minimum lot sizes are permissible in the SLU Rural District, it is not feasible to develop manufactured housing developments in either the SLU agricultural or rural districts.

Zoning

Any manufactured housing community would be subject to applicable county zoning requirements. As of this time, no county participant reported any interest in enacting specific zoning code provisions for manufactured housing, but pointed out that such communities could be built under existing code provisions.

County of Hawaii

Pursuant to Hawaii County Code, Section 25-2-71 (e), in the county of Hawaii, trailer parks are permitted only in district A (agricultural), provided that a plan is approved by the County.

City and County of Honolulu

According to the participant from the Honolulu Department of Planning and Permitting, mobile home parks would be permissible under the current zoning codes as a cluster housing development. Also, as a mobile home park would likely be an affordable housing project pursuant to chapter 201H, HRS, any necessary variances from existing county requirements could be addressed through the 201H process.

County of Maui

Similar to the City and County of Honolulu, the County of Maui appears to allow mobile home parks as a cluster housing development.

County of Kauai

According to the County of Kauai Planning Department, trailer parks are not allowed in Kauai. However, manufactured homes could be placed on individual lots following existing zoning density requirements.

APPENDIX

LIST OF PARTICIPANTS

NAME	ORGANIZATION
Joseph Alueta	County of Maui Department of Planning and Permitting
Anthony Ching	Land Use Commission
Ben Henderson	Department of Hawaiian Home Lands
Bill Hollingsworth	U.S. Army, Pacific
Esther Imamura	Hawaii County Department of Planning
Leatrice Maluhia Kauahi	Office of Hawaiian Affairs
Mary Liang-Spencer	Pacific Air Forces
Mavis Masaki	Hawaii Housing Finance and Development Corporation
J. O. Park	Marine Corps Base Hawaii
Genevieve Salmonson	Department of Health Office of Environmental Quality Control
Kathy Sokugawa	City and County of Honolulu Department of Planning and Permitting
Lynn Tanaka	Navy Region Hawaii
Laura Thielen	Office of Planning
Laura E. Thielen	Affordable Housing and Homeless Alliance
Charlene Unoki	Department of Land and Natural Resources