

## **The Frank Adelman Manufactured Housing Community Sustainability Act (H.R. 3296) sponsored by Rep. Keith Ellison**

Traditionally referred to as “mobile homes,” manufactured homes are a vital aspect of American affordable housing stock for many working families, as well as the elderly and rural. In fact, more than 17 million Americans live in manufactured homes across the country and are typically located in communities commonly known as “mobile home parks.”

While residents of these communities typically own their home, they very often do not own the land under their homes. This division of ownership has led to homeowners being displaced due to community closure. [Eviction or closure of manufactured home communities](#) is very disruptive to residents. Residents may be unable to pay the thousands of dollars it takes to move their home, and many homes are unable to be moved. Even if a home could be relocated, it is [very hard to find another location](#). These mobile homes are in many cases not mobile and serve as the permanent residences of some of the lowest income homeowners in the country.

In the past two decades, [a national network of housing providers](#) have helped residents purchase and manage these communities as a cooperative or a nonprofit-owned development in order to preserve this crucial source of affordable housing. Under this model, homeowners and/or renters can choose to act democratically to gain ownership as a cooperative or through a nonprofit in order to avoid displacement and ensure housing security.

Through cooperative or nonprofit ownership, members continue to own their own homes individually. They also own an equal share of the land beneath the entire neighborhood. Everyone has a say in the way the community is run, and major decisions are made by a democratic vote by a member-elected board of directors. These resident-owned cooperatives have thrived, protecting thousands of homeowners from the threat of eviction, investing in critical communal infrastructure and facilities, all while building a sense of community among neighbors.

Nationwide, there are more than 1,000 of these stable, permanent ownership cooperatives – or nonprofit-owned developments -- in more than a dozen states. In [New Hampshire](#), more than 25 percent of manufactured home communities are owned by residents. In [Vermont](#), [Massachusetts](#), [Rhode Island](#), Washington, [Montana](#), [Oregon](#) and [Minnesota](#), resident-owned cooperatives and/or non-profit ownership have flourished.

However, these successful cooperatives represent only a small portion of our nation’s manufactured housing communities; in fact, only two percent are resident or non-profit owned. The structure requires the willingness of the commercial owner/operator willing to their residents in the first place.

Given the lack of marketplace incentive, property owners are often reluctant to sell to the community. Rather than help contribute to the growing cooperative model, property owners are more inclined to pass the property on to their heirs, avoiding capital gains taxes.

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## **Legislative Summary of the Frank Adelmann Manufactured Housing Community Sustainability Act, (H.R. 3296)**

*This commonsense legislation creates an economic incentive in order to promote the resident-owned cooperative model that has proven a successful tool in states like Minnesota and New Hampshire to protect affordable housing options and encourage homeownership.*

The Manufactured Housing Community Sustainability Act approach is based on successful provisions in some state tax codes that incent sales of land to mobile home communities. For example, in Montana, a 50 percent or 100 percent of the gain recognized from the sale or exchange of a manufactured home community is excluded from adjusted gross income or gross income for state tax purposes<sup>i</sup>.

In North Carolina, a similar tax incentive is available when a community owner transfers the land comprising a manufactured home community in a single purchase to a group composed of a majority of the manufactured home community leaseholders or to a nonprofit organization that represents such a group.<sup>ii</sup> In Washington, a qualified sale of a manufactured home community is exempt from excise taxes on real estate.<sup>iii</sup>

Specifically, the Manufactured Housing Community Sustainability Act:

- Provides a tax incentive for owners of manufactured home communities to sell to their residents.
- Creates a 75 percent federal tax credit on the sale of the property. For example, if the owner sells the land to a resident cooperative, instead of paying \$150,000 on a \$1 million gain, the owner will only pay \$37,500.
- Includes a provision to ensure the long-term viability of the cooperative communities in order to prevent the tax incentive from being used for unfair gain by either the buyer or seller.

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<sup>i</sup> Mont. Code § 15-30-2110

<sup>ii</sup> N.C. Gen. Stat. §§ 105-130.5, 105-134.6,

<sup>iii</sup> Wash. Rev. Code § 82.45.010.