

Section 8 Vouchers for Manufactured Home Purchases



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Congress has approved legislation applicable to the Section 8 program operated by the Department of Housing and Urban Development (HUD). Presently, under the Section 8 program, qualified tenants pay approximately thirty (30%) percent of their income toward the rent, and the remainder is paid by HUD via federal subsidies.

Specifically, the *Housing Opportunity Through Modernization Act of 2016*, amends 42 USC 1437f(o) (12) to permit Section 8 vouchers to be used to purchase and pay for the ongoing rental obligations for a manufactured home. (H. R. 3700 § 1.) The practical effect is to permit those individuals and families reliant on Section 8 vouchers to purchase manufactured homes – an opportunity not previously available, and use the voucher to cover space rent on an ongoing basis.

The amendment does this by redefining the formerly narrow construction of “rent” to now encompass “the sum of the monthly payments made by a family assisted under this paragraph to amortize the cost of purchasing the manufactured home, including any required insurance and property taxes, the monthly amount allowed for tenant-paid utilities, and the monthly rent charged for the real property on which the manufactured home is located, including monthly management and maintenance charges.” (H. R. § 3700 § 112.)

Following the redefining of rent, any “overages” are usable by the recipient of the voucher – “If the amount of the monthly assistance payment for a family exceeds the monthly rent charged for the real property on which the manufactured home is located, including monthly management and maintenance charges, a public housing agency may pay the remainder to the family, lender or utility company, or may choose to make a single payment to the family for the entire monthly assistance amount.” (H. R. § 3700 § 112.)

For the manufactured housing industry, this amendment will permit a new potential source of tenants and homeowners that were previously unable to purchase a manufactured home because they either required Section 8 voucher assistance, and that assistance was not permissibly used for the purchase of a manufactured home, or for those who could not afford to cover the purchase price and also pay the full amount of rent in the first instance. With this change in the statute comes a new source of potential income stream, but also some new potential headaches.

One concern is the complexity and pitfalls that could await a park owner or operator when desiring to terminate a rental agreement. In states that permit termination of a manufactured home and space rental agreement for “no fault” (meaning the landlord does not need a reason to terminate the rental agreement) the differences may not be all that cumbersome as the Section 8 program does not prohibit terminating the rental agreement for “business or economic reasons” (which are reasons not related to a default under the rental agreement

by the tenant). However, in some states, and some jurisdictions within those states, which already require longer notice periods to Section 8 tenants, or require landlords to undertake additional steps prior to terminating a Section 8 tenant’s tenancy.

These notice periods, or restrictions, which would not ordinarily be involved in a manufactured home tenancy termination, will almost certainly come as an unwelcome, and potentially costly, surprise to park owners and operators who are accustomed to the “standard” procedures ordinarily available within their states. California, by way of example, as a state that requires cause (a default in some portion of the rental agreement or some other circumstance permitting a park owner to terminate the tenancy) prior to evicting a manufactured home tenant the additional requirements for Section 8 tenancy termination may yet add another layer of complexity for a landlord looking to terminate a rental agreement.

Outside of the rental agreement, and the termination of a tenancy context, park owners and operators are likely to encounter new challenges to their determinations on who to approve for tenancy. As it is considered discrimination to “prefer” non-Section 8 tenants over Section 8 tenants, the ability of Section 8 tenants – or homeowners, under the current modifications, to purchase and use a portion of their voucher to purchase a manufactured home means that in all probability, there will be lawsuits over whether a Section 8 tenant was discriminated against in the tenancy application process simply because the applicant is a Section 8 voucher-holder.

The Section 8 modification does not bring only potential liability, however. There is also opportunity in the form of a new set of prospective purchasers for manufactured homes. Indeed, one could argue that permitting a Section 8 voucher recipient to purchase a manufactured home under the program expands the availability of the “American Dream” inasmuch as it relates to home ownership. Similarly, since a portion of Section 8 tenants’ rent, utility, or mortgage payment(s) are guaranteed under the program, it may also operate to reduce the uncertainty as to whether any or all of a monthly rental payment will be paid on time. As the Section 8 voucher waiting list is usually quite long (in some places, it is years), many Section 8 tenants will do just about anything to prevent a default under their rental agreement which, in turn, would lead to the termination of their right to a Section 8 voucher.

The ultimate effects of the change to the statute are yet to be seen, so stay tuned for updates.

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