

WMA Reporter Article – April 2021
Frozen 3: A Manufactured Housing Nightmare
An Opinion Story
By: Bill Dahlin, HART KING

Frozen and Frozen 2 are delightful, animated Disney movies about a princess who has the power [gift?] to turn everything she touches to ice. Consequently, an entire realm is frozen, making it nearly impossible for the inhabitants of that realm to enjoy their lives. The California Manufactured Housing industry is frozen too, but it isn't the fault of a well-meaning princess. Rather the industry is being choked off by three destructive forces: the inability to add housing units, NIMBY's and Rent Control. These forces deserve "recognition".

My parents moved to California from the Midwest in 1952. Shortly thereafter they bought a small 1100-1200 square foot tract house in east Long Beach. At that "ancient time", not even 10 years after World War II, there was a tremendous amount of housing being built in California. The house they bought was relatively inexpensive. It was a brand new house on a 5000 to 6000 square foot lot and could be purchased for less than \$15,000. Just over a decade later my parent sold that little tract house for just under \$20,000 and moved to Seal Beach, California. [Lucky me.]

In the 1950's all of cities throughout Southern California, indeed cities throughout most of California, welcomed the migration of new people to the West Coast and housing was being developed up and down the state.

Let's compare that reality with today. The San Diego Union Tribune published a short article in it's March 10, 2021 edition commenting upon the fact that San Diego County homebuilding was marginally up in calendar year 2020, when compared with calendar year 2019. However, that article pointed out that while there was an increase in the number of houses built in San Diego County in 2020 over the number of houses built in that same county in 2019 the amount of home built in 2020 was still LESS THAN HALF of the annual amount of new homes that were and are needed to just meet the ongoing and growing demand for housing in San Diego county.

The recently published article from the local San Diego newspaper could have been printed about and can be applied to virtually every city in the state of California. California's current governor, Gavin Newsom, proclaimed upon taking office that he would fight for and enable cities and developers in California to build several million new homes per year. From my understanding, and in reading the news about that issue/promise, there has been essentially zero progress on that promise/goal. The "housing crisis" is a reflection of virtually zero new homes being built as compared with the need for new additional housing units.

The cost of housing in California is significantly more than any other state in the United States, with the possible exception of Hawaii. Why?

Fifty and sixty years ago the state of California encouraged and helped cities approve housing. In the intervening decades, the opposite has transpired. Virtually every city in the state has its own core of NIMBY residents. Try getting a housing project developed in tony/upscale Newport Beach. Or anywhere else in Southern California with the notable exception of Irvine, California which has single-handedly been the provider of at least 50% of all new housing permits throughout Orange County for several years. A review of legislative proposals in Sacramento over the last several years demonstrates that several

attempts have been made to wrest control about permitting of housing developments from localities so that the local cities and counties may no longer find multiple excuses to deny applications for the development of housing. Each of those legislative proposals has gone down to defeat. Articles in the Los Angeles Times recount how attempts to provide new housing for persons who are without housing and living on the streets is unseemly expensive. Does it really require \$500,000 per unit to build small 400-600 square foot homes for homeless people? Sacramento has approved and spent approximately 80 billion dollars for a "bullet" train between Merced and Bakersfield, but can't figure out how to get housing built?

Rent control, as a housing policy, sprang up in California, primarily in the manufactured housing industry, in the early 1980s. Rent control in California has since expanded so that well over 100 jurisdictions in the state of California have some form of mobilehome park rent control. One of the most recent examples was in the county of Humboldt. Rent control was adopted there, even though housing costs in the existing mobilehome parks was inexpensive and no reputable research found any evidence of price gouging or other unfair business tactics. But rent control was adopted by the voters.

So where does all this lead? The combination of rent control and its huge economic disincentive to any developer to provide housing, conjoined with the ferocity of NIMBY residents has made housing projects virtually impossible to get approved, let alone built. The Mobilehome Residency Law presently has an exemption from any local rent control for "new housing". But, as any person can see, just from last year's legislative session, that exemption from rent control might easily be taken away in the near future. Long term leases existed as an exemption from rent control in the Manufactured Housing industry for decades. As of January 1 of this year [2021] long term leases are no longer available to community owners as a means of addressing the huge economic impacts of rent control. Who, in their right mind, would seek to build a new manufactured housing community with that type of political climate? Who would build large scale new multi-family apartment buildings that might also be covered by rent control within 10 years?

I recently visited Prescott, Arizona. The amount of new housing being built in that county within Arizona is amazing. It is reminiscent of California 50 or 60 years ago. Indeed, many of the people moving to and buying up the newly built housing are refugees from California.

People in the Manufactured Housing industry know, with virtually 100% certainty, that a brand new three bedroom two bath 1300-1400 square-foot home can be built and installed for under \$200,000. The end product is a home with excellent installation, all new state of the art appliances. The new factory built housing is well-built, energy efficient and able to provide comfortable and cost effective housing for decades. Why isn't it being built?

The answer to that rhetorical question is set forth above. The Golden State has adopted an anti-development political climate, which I suppose helps "explain" why Sacramento now refuses to acknowledge the long term negative economic impacts of rent control. This state of affairs, when combined with the political power of NIMBYs, has made the task of obtaining the building permits needed to provide new affordable housing in California next to impossible.

My youngest granddaughter is two years old. Her parents are both employed "professionals". However, I worry about how she can grow up and remain in this state and realistically dream of have a home of her own someday. I have lived in California for well over 95% of my lifespan. But unless something is done to address the rigid land-use restrictions that absolutely forestall the development of reasonable and affordable housing we seem doomed to keep making the same mistakes of the past 30+ years and then wondering why more affordable housing is not available.

My favorite childhood book was the Wizard of Oz. In the movie version that followed, the 4 primary characters sing a song to give themselves courage while walking to Oz on the now famous yellow brick road. We need more than just a song to have the courage and fortitude to solve California's housing problem. There is an assault on property rights [via rent control] and the lack of new housing is a result of NIMBY and anti-development politics. Sacramento needs to step out from behind the curtain if California is ever going to allow adequate numbers of new housing units to be built. There are plenty of people that want to provide housing; the state's "leaders" just need to give them permission to succeed.

Bill Dahlin is a partner with the Southern California law firm of Hart King and a leader in the firm's Manufactured Housing Industry Practice Group. He can be reached at (714) 432-8700, (714) 619-7084 (direct dial) or bdahlin@hartkinglaw.com. This article is for general information purposes and is not intended to be and should not be taken as legal advice for any reader.