MANUFACTURED & MODULAR HOME ASSOCIATION OF MINNESOTA

Opening doors to better living.

March 17, 2026

RE: SF 2691

Dear Chair Klein and Members of the Senate Commerce and Consumer Protection Committee;

On behalf of the 300 members of the Manufactured & Modular Home Association of Minnesota, thank you for the opportunity to offer written comments to SF 2691. The MMHA speaks for the nearly 900 privately owned manufactured home communities, along with 15 plants building new manufactured and/or modular homes. Over 80 percent of all new manufactured homes sold in Minnesota are sited on real property with basements, foundations, and can be financed with traditional mortgages, the remaining 20 percent are placed in manufactured home communities, and in all cases, classified as single-family homes.

We have serval concerns about the bill:

- It takes away or eliminates fundamental property rights
- Imposes statewide rent control
- Requires justifying rent increases, determined and enforced through litigation
- Repeals a negotiated 2024 agreement between the NCF cooperative, industry and legislators

SF 2691 proposes to eliminate fundamental property rights for Minnesota's largest providers of non-subsidized attainable workforce housing intending to achieve what is already happening in the real estate market, under the 2024 statute. The new statute works as intended, expanding the conversion of privately owned communities to cooperative ownership. In all these ownership conversions thus far, the residents worked with the community owner to negotiate a purchase price and successfully transfer of ownership. There is no reason for the legislature to drop a heavy hammer on these 900, mostly small business owners. MMHA community members were some of the first to sell their properties to their residents for cooperative conversion under the existing statute. There is not an adversarial relationship in play. **A willing seller and willing buyer is how the real estate market works.**

This bill repeals the 2004 agreement, Notice of Unsolicited Sale, MS§327C.095, substituting a far reaching, "right of first refusal," applicable to every sale of a manufactured home community, granting leaseholders and other non-vested organizations ownership rights, in violation of a property owner's constitutional right to transfer or sell their property. It gives leaseholders a statutory right to tie up the otherwise legitimate sale of a property.

Under the Notice of Unsolicited Sale statute, if a community owner receives an unsolicited bona fide offer to purchase the community that the community intends to consider or make a counteroffer to, they must mail a notice to the Minnesota Housing Finance Agency, by certified mail, and to each community resident household, by regular mail. The notice must indicate that the community owner has received an offer that it is considering, and it must disclose the price range and material terms and conditions upon which the owner would consider selling and then consider any offer made by a representative acting on behalf of residents or a nonprofit. Then, the Minnesota Housing Finance Agency must, within five days of receipt of the notice, distribute a copy to any representative acting on behalf of residents and to any nonprofits that register with the agency to receive such notices. The Notice of Unsolicited Sale statute has been operational for two years, MS§327C.097. In 2025, the statute was lauded by the CEO of the state's only non-profit portfolio holder of cooperative communities after closing on another successful acquisition: "the new state law created an opportunity for NCF to connect with the seller and propose a sale to a resident-controlled cooperative."

60 Marie Avenue East, Suite 254 • West Saint Paul, Minnesota 55118
Phone: (651) 450-4700 • Fax: (651) 450-1110
Website: www.mnmanufacturedhome.com

Minnesota currently provides residents of manufactured home communities opportunities and protections to purchase their community when it is offered for sale by the owner, or if it were to be sold for redevelopment, exceeding those in states such as Florida, Arizona, or California, all have far more community residents as a percentage of their overall populations.

Minnesota requires a "Notice of Sale" (MS327C.096), be provided by community owners if they are selling and/or advertising it for sale or listing with a real estate broker, by giving written notice to all residents. The intent of the statute is to give residents or a resident organization the opportunity to make an offer to the owner of the community. Minnesota also extends a "right of first refusal," to residents if their community were to ever close or a change of use is proposed by the owner to a municipality.

- The bill takes away a fundamental real estate property right to grant a "first option to purchase" to a buyer, resulting in a significant loss of income.

- The bill takes away the property right of a community owner to bundle or package more than one property they may own when selling or receiving an unsolicited offer. There may be other entities that are a part of the package such as an adjacent mini-storage business, a sales center, or multi-family apartment buildings.

- The bill fails to address the common real estate sales process where there are multiple offers that are constantly changing during negotiations, forcing a community owner to notify hundreds of residents in the process every time an offer changes or a new buyer emerges.

- The bill provides no protection or recourse for a community who negotiates in good faith and rejects the non-profit's offer, that they will not face legal challenges alleging non-compliance with any of provisions in the bill, delaying the sale even further if not losing the sale.

What happens when the sale to the residents or cooperative falls through under a right of first refusal, the original purchaser will have moved on to other investment opportunities leaving the community owner without a buyer. Once the owners of Minnesota communities determine that they have limited opportunities to sell, they are unlikely to invest in future improvements or upgrades, essentially starting a downward spiral of maintenance and quality of life for the residents by devaluing the property, and incentivizing a change of use or deep-pocketed buyers who can afford to invest in necessary improvements to keep it operating.

Honestly, the state's only non-profit acquiring a portfolio of communities, has received a combined total of circa $30M, from the State of Minnesota and HUD, since 2024, to make acquisitions; they employ a team of licensed real estate brokers and marketing experts, and have the capacity to directly inquire of community owners with bonafide offers to purchase, rather than seeking a right of first refusal enabling them to run interference between private transactions.

The bill imposes statewide rent control on Minnesota's largest source of non-subsidized attainable workforce housing, the nearly 900 privately owned manufactured home communities, and would severely limit their ability to cover costs and expenses for making upgrades and improvements to infrastructure, storm shelters, club houses, and other capital investments necessary to continue operating their communities. The chilling effect rent control has on new development and expansion of affordable housing is not a hypothetical opposition argument based on what happened following Minneapolis and St. Paul adopting rent control, with affordable housing developers halting projects and capital fleeing to the suburbs and beyond. The difference between this bill and the Minneapolis/St. Paul rent control ordinances, the bill imposes statewide rent control on all existing affordable housing operators of manufactured home communities and developers, who instead of fleeing one city to another, will take their capital and exit to other states with functioning markets.

The bill requires a community owner to give a reason or justification for any rent increase. A rent increase is presumed to be unreasonable if the percentage of the increase exceeds three percent. The bill states that a community owner may prove a rent increase is reasonable by clear and convincing evidence when the increase is necessary for the health and safety of the residents. Who determines a definition of the "health and safety" of residents as justifying a rent increase?

As acknowledged by the Chief Author of the bill's House companion, before the House Housing Committee, when asked this specific question; it will be litigated before the courts, anytime there is a rent increase above three percent that a resident objects to. The reality is that residents and community owners will separately bear the costs of legal expenses, which for residents, are likely to exceed any benefit or gain from a court ordered reduction of the rent increase.

The bill exempts cooperatives from the three percent limit on rent increases. Manufactured home cooperatives are like HOA's, a topic of debate and controversy during the past two Sessions. Cooperative communities have elected boards of directors and employ management companies, yet the bill exempts them from the three percent rent cap and does not afford any legal remedies in requiring a justification or explanation of rent increases by the board of directors in deference to cooperative members.

A couple of years ago, a similar rent control bill was before this body and prior to the hearing, MMHA surveyed its community members regarding the impact of rent control becoming law, here's a sample and consistent theme from the respondents;

- We are a Minnesota company with two communities and have approval to expand our Metro community by an additional 188 homesites on the nearly 60 acres we own adjacent to the community. We were approached by the city two years ago to bring more homesites to the city with an expansion. If the bill passes, the expansion will not happen as the numbers won't work with so much uncertainty and the uncharted business model that is not market based, making my business partners uncomfortable.

- We own a community in the South Metro and have approved plans to break ground this spring for an expansion of 110 homesites. If rent control becomes law, we will pause if not scuttle the expansion.

- We have approval and financing in place, and plan to break ground to build a new community in Greater Minnesota. This bill and its rent control provision will be a dealbreaker with our partners by adding an unknown factor of how we address and recover future costs and unanticipated expenses. If this kind of legislation keeps looming year after year, we will sell our community and stop making upgrades and recover losses with less maintenance and can guarantee there will always be an annual rent increase.

The operation of a manufactured home community includes expenses that other forms of rental housing may not incur that the bill ignores.
These include:
- Water systems - Replacement or major repairs can cost hundreds of thousands of dollars.
- Road Paving - Maintenance alone can be tens of thousands of dollars for roads.
- Septic systems - Aging systems that need upgrading by the owner can cost more than $1 million.
- Snowplowing of their private roads and removal of snow from the premises.
- Maintenance of common areas: storm shelters, clubhouses, playground, swimming pool, etc.

How much does a 3-percent rent increase generate in new revenue for an average community?
A community with 100 home sites, and rent of $500, a 3-percent rent increase equates to $15 per home, per month, and $18,000 in additional revenue. That would have to cover the aforementioned expenses and whatever amount is necessary to budget for future capital improvements. Minnesota communities have been witnessing property tax hikes of 25-40 percent. Inflation, measured by the CPI, saw significant price increases, averaging around 4.91% annually, leading to a total price rise of over 21%, meaning goods that cost $100 in 2020, cost $121-$124 by 2024. Inflation rates jumped significantly in 2021 (4.70%) and then peaked in 2022 (8.00%).

Rent Control and the end of professionally managed communities.

- Most community owners provide quality affordable housing opportunities, a commitment to serving residents, and a strong community building focus. Their vacancies levels are extremely low, and some have waiting lists for residents. (This would not be the case if rents were unreasonable).

- Owners consistently improve and routinely make investments in their communities each year - enhancing near-term and long-term value of the community. (Rent control will cause most to cut back on doing routine maintenance and making long-term investments in improvements).

- Private equity or capital from any size investor in the housing market plays a critical role in not only developing new housing stock, but more importantly in preserving older manufactured home communities otherwise targets for redevelopment and closure, which we believe is an affordable housing success story. (Rent control will discourage purchasers from doing upgrades and using professionals to manage the property).

- When a community changes hands to new ownership, it is often because there is a significant need for improvement and a lack of capital from the existing owner to make such improvements, so they elect to sell. (Rent control will discourage future investment and improvements as capital is fungible and instead be invested in other states).

In conclusion, economics and history teaches us that in a free market, demand and supply will balance. In an unregulated housing market, shortages of any kind are addressed first by higher rents or prices (responding to scarcity and higher demand) and then resolved by an increase in supply. But when rents are restricted, there is no attraction to new investment in housing. Supply stagnates, and the problem will only worsen, SF 2691will hamper, if not halt, the development of additional manufactured home communities, Minnesota's largest source of non-subsidized and attainable workforce housing.

The best way to address rising rents in communities is through initiatives that encourage the development of new communities by addressing the supply side of the equation.
Thank you.

Sincerely,

Mark Brunner

Mark Brunner
President

mark@mfgmodhome.org

www.mnmanufacturedhome.com