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# Positioning Your Mobile Home/RV Park for the Future

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Why did you buy your MH/RV park? You were probably attracted by a number of factors:

- Stable monthly income
- Appreciation over time
- A tangible asset that you have control over – not some investment fund played out on the roulette wheel called the stock exchange.

As park owners grow and change, and as parks age and change, the suitability of the investment for you may have changed. There comes that point where you want to sell your property or change it to another use.

To sell the park or change its use, you need to have a flexible business model. If you plan ahead, you can not only safeguard your investment but also gain flexibility to deal with changed circumstances (and make more $). Here are some ideas:

- Obtain a right of first refusal to purchase the mobile home when the tenant moves.

- If your park is designated as "senior", consider changing the status to all-age. I know this is sacrilege and counter-intuitive, but consider which tenant profile is more likely to generate income that grows, rather than is fixed. Senior or working family? Who is more likely to have time to lobby for rent control? Senior or working family? etc. etc.

- Acquire homes when they come up for sale in your park. It is much easier to close a MHP, convert it to another use or sell it for a higher price to a developer when the park owns some or all of the units.

- Raise rents! If you keep your rents at market, the "cap rate" will generate a higher sales price with the higher NOI (net operating income). This seems obvious but I am continually surprised by the number of park owner clients and friends that do NOT reset target rents to market annually.

- Raise rents! (Sound familiar?) Doing so also prevents old homes in your park from selling for amounts exceeding the homes' value. This is important so your tenants do not feel "entitled" to that inflated sales price when you seek to relocate them or change the use. Paying "in-park" value for homes in your park is just "code" for buying your own land back if your rents are below market.

- Raise rents! (Again!) Regularly raising rents (annually) prevents a shock to tenants (and thus "vacancies", depressing your park's value) when rents are escalated to market in one fell swoop.

- Keep careful books and records. Buyers will pay more for a park with good books and records and lenders will loan more on such parks. "Going solar", submetering of water and resolution of utility issues all depend on having good historical records.

The California Mobile Home Law outlines the procedures for change of use or raising rent for this state, which this post is geared toward. In any event, you would want to work with your attorney.

You have a personal investment in your park. While the business may be a great livelihood today, you should build flexibility into your business model.