A "HOSTAGE" STRATEGY FOR HOUSING INVESTMENT?

TPG Capital Partners with RV Horizons to Purchase 78 Manufactured Home Communities

KEY POINTS

- **Since 2018, private equity firm TPG Capital has invested in a portfolio of 78 manufactured home (i.e. mobile home) communities with thousands of home sites across the US.**
- **TPG's partners in the deal, RVHorizons and Strive Communities, have previously drawn criticism for aggressively raising rent on the mobile home residents.**
- **Strive Communities VP Dave Reynolds also runs Mobile Home University with longtime partner Frank Rolfe. Materials from Mobile Home University note that owners have residents "hostage," enabling them to raise lot rents.**
- **The predatory practices have caught the attention of US lawmakers including Senator Elizabeth Warren and Representative Dave Loebsack, who sent a letter to TPG in May 2019 raising questions about the firm's manufactured housing investments.**
- **In 2018, a TPG Capital affiliate drew scrutiny after foreclosing on hundreds of homeowners in Puerto Rico in the aftermath of Hurricane Maria.**

OVERVIEW

Based in San Francisco, California and Fort Worth, Texas, TPG Capital is a private equity firm with over $119 billion in assets under management.[1] TPG has an extensive real estate business and has made substantial purchases in housing, including a portfolio of manufactured housing communities across the US that caters to low and moderate income homeowners.[2]

TPG CAPITAL PARTNERS WITH RVHORIZONS ON MANUFACTURED HOUSING COMMUNITY PURCHASE

In the last two years, TPG Capital has acquired 78 manufactured home communities for $387 million, according to government-sponsored lender Fannie Mae.[3]

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According to Fannie Mae's August 2019 multifamily market commentary, released in August 2019, TPG was the top manufactured home community purchaser over the past 24 months.[4]

TPG Capital purchased a portfolio of communities in Colorado, Illinois, Indiana, Iowa, Kansas, Kentucky, Minnesota, Missouri, Nebraska, North Dakota, Texas, Virginia, West Virginia, and Wisconsin from manufactured home community operator RVHorizons and affiliate MHP Funds.[5]

RVHorizons, renamed Strive Communities, continues to manage the properties. Strive Communities reports that it has more than 120 communities across 16 states. TPG lists Strive Communities as a portfolio company.[6] RVHorizons (and Mobile Home University) co-founder Dave Reynolds served as VP of Licensing at Strive Communities as of March 2019.[7]

"TPG Capital, an institutional equity fund based in Fort Worth, was the top MHC investor over the past 24 months, investing almost $390 million on about 78 MHC properties."

Fannie Mae Multifamily Market Commentary, Aug 2019

STRIVE/RVHORIZONS MANAGEMENT CRITICIZED FOR PUSHING SIGNIFICANT RENT INCREASES ON "HOSTAGE" RESIDENTS

Strive Communities/ RV Horizons is headed by Frank Rolfe and Dave Reynolds, who have been criticized for their Mobile Home University (MHU), which teaches prospective manufactured home community investors about how to best extract profits from community ownership. Rolfe, for example, is known for likening a manufactured home park to "a Waffle House where everyone is chained to the booths," emphasizing how residents have few options but to pay rent increases.[8]

More, materials from Reynolds' and Rolfe's MHU for a "boot camp" for aspiring mobile home park investors note: "the fact that tenants can't afford the $5,000 it takes to move a mobile home ... makes it easy to raise rent without losing any occupancy."[9]

In February 2019, **Last Week Tonight with John Oliver** featured TPG Capital's investment with RV Horizons as part of a broader segment on private equity investment in manufactured home communities. In a clip from an MHU seminar played on Last Week Tonight, Rolfe notes, "One of the big drivers to making money is the ability to increase the rent. If we didn't have them hostage, if they weren't stuck in those homes in the mobile home lots, it would be a whole different picture."[10]

"One of the big drivers to making money is the ability to increase the rent. If we didn't have them hostage, if they weren't stuck in those homes in the mobile home lots, it would be a whole different picture."

Frank Rolfe, MHU

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RV HORIZONS/ STRIVE COMMUNITIES RESIDENTS COMPLAIN OF AGGRESSIVE RENT PRACTICES

Urbana, Illinois

Terry Baker and Char Pekoz live in a TPG Capital-owned manufactured home community managed by Strive Communities in Urbana, Illinois.

Since RV Horizons took over Terry Baker's mostly senior community, Baker and neighbor Char Pekoz have seen lot rent and fees increase by more than 25% to a total of almost $300 a month. Baker is on a fixed income of $1,000 month and was paying $142 in rent when she moved into the community. Additionally, rent had previously included water, sewer, and garbage, which RV Horizons (now Strive Communities) now charges as separate fees.[11]

"I am now starting to have more anxiety going to the mailbox at the end of the month to get the new bill," said Pekoz, who is also retired, and purchased her manufactured home 30 years ago. "I am now hating this community."[12]

"The bottom line is the rent will continue to rise unless corporate or state policies change, and I just won't be able to afford it," said Pat Bohlen, who lives in another TPG Capital-owned and Strive Communities-managed community in Urbana, Illinois.[13]

"I am now starting to have more anxiety going to the mailbox at the end of the month to get the new bill."

Char Pekoz, Strive Communities resident, Urbana, Illinois, December 2018

Canon City, Colorado

At RV Horizons' Central Manufactured Home Community in Canon City, Colorado, homeowners lease the land their manufactured homes sit on. RV Horizons has raised lot rent twice, implemented a fee for water, sewer, and trash removal in the year following its 2017 purchase of the community.[14]

"The rent keeps going up and it's going to make people lose their homes," said homeowner Scott Winborne.

One resident, Dawn Ketcham, whose monthly expenses had increased by $79 after RV Horizons took over, is on a fixed income and has little money to cover the increases. "I get $750 a month to live on and my rent is almost $400 right now," said Ketcham.[15]

Aside from rent increases and new fees tacked onto those increases, residents in August 2018 complained that the community no longer had a property manager or on-site office.[16] "They've had 10 and half months to get a manager on site and they've neglected to do that," Ketcham said.[17]

"The rent keeps going up and it's going to make people lose their homes."

Scott Winborne, RV Horizons resident, Canon City, Colorado, August 2018

Austin, Texas

RV Horizons purchased North Lamar Mobile Home Park, a manufactured housing community in Austin, Texas, in 2015.

Married residents Margarita and Roberto Sanchez had been paying $390 a month for the land their home sat on, including utilities. The community's new owners soon added a $120 rent increase and implemented a new rule for water and sewage, adding an additional $150 each month for the Sanchez family. Along with other fees including extra costs for having more than four residents, the Sanchez family saw their rent more than double after RV Horizons took over.[18]

But North Lamar MHP residents, assisted by the legal aid center, claimed that their existing leases were broken by the new owners. They sued RV Horizons in May 2015, alleging they breached existing contracts by imposing the rent hikes.

Tenants won, and original rent was maintained for the remainder of 2015.[19]

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TPG CAPITAL FACES INQUIRIES FROM US SENATE, CONGRESS OVER MANUFACTURED HOUSING INVESTMENTS

Last year, TPG Capital, along other private equity firms invested in manufactured home communities, drew questions from members of Congress over the impacts of its investments in the sector.

In May 2019, US Senator Elizabeth Warren (D-MA) and US Representative Dave Loebsack (D-IA) requested information from several private equity firms including TPG Capital, noting that TPG and others "are some of the country's wealthiest firms, preying on rural and lower-income communities to turn a profit."[20]

Senator Warren's and Representative Loebsack's letter stated, "MHC residents' lack of economic mobility also makes them vulnerable to exploitation-and investment firms often engage in predatory management practices that boost profits at the expense of manufactured home owners. Investment firms exploit residents' 'limited mobility' by 'dramatically increase[ing] rents to quickly increase profits.'"

In the letter to TPG co-founder David Bonderman, Warren and Loebsack asked as series of questions about the manufactured home communities that TPG owned, increases in lot rents at the communities, additional fees charged to residents, and profits generated for investors.

"MHC residents' lack of economic mobility also makes them vulnerable to exploitation-and investment firms often engage in predatory management practices that boost profits at the expense of manufactured home owners. Investment firms exploit residents' 'limited mobility' by 'dramatically increase[ing] rents to quickly increase profits.'"

US Senator Elizabeth Warren and
US Rep. Dave Loebsack, May 2019

TPG CAPITAL DRAWS CRITICISM FOR FORECLOSING ON HOMEOWNERS IN PUERTO RICO IN THE AFTERMATH OF HURRICANE MARIA

TPG Capital's acquisition of dozens of manufactured home communities is not the private equity firm's first foray into investing in housing.

In 2018, TPG drew scrutiny from key investors such as the New Jersey Division of Investment and the New York State Common Retirement fund over its mortgage foreclosures in Puerto Rico.[21]

After Hurricane Maria struck Puerto Rico in September 2017, an estimated third of the territory's homeowners (90,000 homeowners) were behind on mortgage payments.[22] At the time, December 2017, over a third of the entire island still had no power. But lenders, including TPG Capital affiliate Roosevelt, which had acquired

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thousands of mortgages in Puerto Rico, "have ignored federal moratoria on foreclosures; placed notices of default in newspapers where they're unlikely to be seen; sent files to homeowners in English rather than Spanish, and require residents to complete tasks that are borderline impossible without electrical power yet fully restored, among other abuses."[23]

Roosevelt Cayman Asset Co in the months following Hurricane Maria had more than 300 active Puerto Rican home foreclosure cases in federal and local courts. It is an affiliate of Rushmore Loan Management Services, which was the loan servicer for TPG's loans. Rushmore and TPG shared several executives.[24]

TPG Capital ultimately halted foreclosures on the island for several months and committed to reducing mortgage principal and taking other steps to enable borrowers to stay in their homes.

Endnotes

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