

## **COMMENTARY: Homeowners being drowned in own money**

November 21, 2015 · by Fred Neil · 0 Comments

When the Dover City Council reviews Chapter 66 on Manufactured Homes and Trailers this year, I have requested Licensing of Leased Land Communities. The reason is the same as why the city licenses apartment houses, the health and safety of the tenants.

I call upon the state legislators to end the charade of protecting leased land community owners from the risks faced by every other business in the state and guarantee them a profit as they do utilities.

As it stands now, landlords are drowning the low income and seniors on limited income in need of affordable housing in their own money.

The effect of guaranteeing the landlords a profit under the watchful eyes of the Public Service Commission will protect 50,000 to 70,000 home owners and their families who live under unenforceable state law. (Delaware Housing Coalition report October 2015).

This is not just a Dover problem.

Currently, the owners of Angola Beach and Estates in Sussex County and Barclay Farms and Bon Ayre in Kent are



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seeking rent increases above what is allowed by law on dubious legal grounds to further a guaranteed profit.

In addition, they use legal bullying in an attempt to force these low-income home owners to give up their rights to defend themselves.

Fortunately, Attorney General Matt Denn has filed suit against Hometown America for violating Delaware law by “issuing rent increase notices to tenants that attempt to factor Hometown America’s anticipated litigation costs into its rent increase, by requiring homeowners to waive their right to arbitrate the proposed rent hikes in exchange for giving them a purported ‘discount’ to a substantial rent increase.”

By combining licensing with the PSC, the state could keep many thousands of citizens from needing taxpayer assistance for housing. The state will have a legitimate look at the financial records to see if the landlords are maintaining the community and paying their fair share of taxes.

As it stands now, the rent money is siphoned off through a maze of interlocking corporations, while the state of Delaware is denied taxes it so desperately seeks.

Shenanigans include the 2012 sale of the Barclay Farms community for \$13.8 million and no real estate tax was paid.

The owners of leased-land communities grow recession-proof profits but the landlords are not required to maintain their communities in Delaware.

The Rent Justification Law, passed in 2013, allows home owners to request arbitration if the rent increase is above the allowable Consumer Price Index-Urban. Prior to the law, rents could be raised without limit for no reason.

Community owners frequently threatened legislators with a change of land use if tough new laws were passed.

When a community owner takes the profits, rather than bring the community up to code, they can request a change of land use and force homeowners to leave. In any case, the value of homes drops on leased land and with it, the assessable tax base. In Dover, the assessments in my community dropped 28 percent from 2010 to 2015, costing the city tax income.

My Wild Meadows 55-plus community is an example of a landlord’s ability to legally drown us in our own money. The community is built on wetlands across from the Dover International Speedway’s Woodlands, home of the Firefly Music Festival. The developer was required to place drains in the ground before the homes could be placed.

Complaints made to management and the city for the most serious problems include deep sinkholes around drains, a clear safety hazard to the home owners, visitors and guests.

By 2014, the situation became so egregious, the city code inspector required repairs before the end of the year.

Despite grossing over \$1.16 million in 2014, the landlord raised the rents to cover the \$102,000 expense of the repairs (\$38 per month), becoming part of the base rent forever, beyond the cost of the repairs. Arbitration was requested.

On March 30, 2015, the arbitrator decided, “in light of the record and the above analysis, I find that the December Corporation was not proactive toward the safety and

well-being of the homeowners. Landlord acted at best, unreasonably, and at worst, irresponsibly. As such, I find it untenable that the homeowners should now be asked to pay for the entirety of the construction costs.”

The owner, through the interconnected Pennsylvania management corporation, appealed to both the Chancery and Superior courts. The landlord is using rent money to legally face off with senior citizens with limited income in the business court of Delaware.

While this is happening, the owner put the community up for sale, adding to the legal conundrum in the Wild Meadows case. The home owners’ offer to buy the community, was turned down. Court appeals on the rent may last until sometime in 2016.

Let the community owners profit, protect the home owners, and examine landlords’ finances for tax obligations.

*EDITOR’S NOTE: Fred Neil served for 11 years as President of the Wild Meadows Home Owners Association, until he was elected to serve as Dover City Councilman, 3rd District.*