



**Sunny Creek-Land-lease Community,
Spokane, Washington**
by Steve Hullibarger

Sensing that a beautiful location was being underutilized by an old unfinished mobile home park, developers Brian and Dinah Layton and their partner, engineer Richard Mason, purchased Sunny Creek and set out to start it all over again from the beginning. Sunny Creek Residential Community is situated in a spectacular bowl between two wooded ridges in southwest Spokane's Latah Creek valley. Today, it is a growing, thriving community of striking manufactured homes, offering mountain country living within 5 minutes of downtown Spokane.

| Project at a Glance | |
|------------------------------|--|
| Type of project | Land-lease Community |
| Site area (total) | 20 acres |
| Lots (total) | 90 |
| Density | 4.5 units/acre |
| Average lot size | 4,500 square feet |
| Home size | 1,075 to 2,200 square feet (plust 2-car garage) |
| Price range | \$69,990 to \$119,990 |
| Average Cost per Square Foot | \$60.00 |
| Community Amenities | Exercise paths, RV parking, adjacent 18 hole golf course |

Layton and Mason discovered this opportunity right in their own home town, after looking around the country for their next development project. At first, the idea of removing old manufactured homes, rebuilding the community's infrastructure and gearing up the marketing machine all over again was unappealing. But the merits of this site were just too exceptional.

Layton's real estate business brought the listing of this park to his attention. Instead of marketing the community, he decided to purchase it and begin the renovation process. At the time, Sunny Creek was 15 years old and contained 32 older, mostly single section homes with outdated metallic exteriors and little or no aesthetic appeal. Its streets and utility systems had begun to deteriorate and it was struggling under a severe financial burden.

Obviously, this was a troubled property. But, as Layton knew, the area was rapidly developing with a mix of high quality commercial centers and higher priced residential areas. And, The Creek at Qualchan, the City of Spokane's 6,300 yard 18-hole championship golf course, was ready to open on adjacent land. Clearly, Sunny Creek was a negative bottleneck to quality development in this small valley.

Layton felt that upgrading Sunny Creek to match the level of development going on all around it, plus the potential for

expansion - adding 76 new sites to the existing 32 - made the final decision to purchase and redevelop the community an easy one. The property was acquired in May, 1993.

Steps to Development

The city's planning staff recommended that Layton and Mason reduce the final number of lots to 93. Additionally, serious problems with permanent wetlands surrounding 80% of Sunny Creek were mitigated. Instead of a hindrance, the partners saw an opportunity to create a natural oasis - an island of large new homes and a comfortable neighborhood - in the woodsy Northwest mountains.

After 12 months of negotiations and consultations with Spokane's planning staff, the Army Corps of Engineers, and the State of Washington Departments of Shoreline Management, Game and Ecology, a plan was adopted by the partners and approved by the public agencies.

Layton is convinced that the professional manner in which they approached local government officials was instrumental in winning their interest and cooperation. "We used the phrases, 'manufactured housing and offsite housing' extensively in our discussions," he says, "never 'mobile homes'. Our careful selection of words eased the acceptance of the city. This is critical, especially when you are confronted with archaic thinking." Layton also gave presentations, slide shows and photos of other projects as examples which he intended to follow.

One of the first steps was to remove the old homes. Complying with Washington law, the existing residents were given 12 month's notice of eviction. New construction began in June 1994.

In the meanwhile, Layton started his search for the best manufacturer to construct his homes. He reviewed the designs, plans, specifications, pricing and marketing packages from each candidate manufacturer in Oregon, Washington and Idaho. After numerous visits to the plants and to other communities, he settled on two manufacturers, Silvercrest Homes of Woodburn, Oregon, and Guerdon Homes, of Boise, Idaho.



Working with the manufacturers' design staffs, Brian and Dinah created the models, interior specifications and architectural styles which they knew were right for Sunny Creek. Their plans for special garages, entries and architectural enhancements were dovetailed into the structures which were factory-produced.

The manufacturers are greatly pleased with the way their homes look. "We are always interested in enhancing our public image with more 'conventional' appearing model home displays," said Dan Wold, Silvercrest's Sales Representative. "Brian Layton's real estate development and marketing experience leaves the old mobile home image far behind."

"Our Builder Series homes were made for projects like Sunny Creek," echos Dave Shigekawa, general manager of the Guerdon facility in Boise. "This is the match of an advanced factory design and sensitive site finishing that we feel is the key to greater acceptance of our homes on the part of the traditional site built home buyer."

A True Northwest Setting

Entering Sunny Creek from Qualchan Drive, the visitor drives across a lush green landscaped "bridge" (actually a bermed culvert covered with lawn, flowers and trees) dividing two natural watercourses bordered by dense cattail and reed banks. Fountains in each pond add to the ambience. Ducks, geese and redwing

blackbirds flourish in the pastoral site.

Sunny Creek is announced with a stone monolith resting in a flower garden. Elegant teal painted security gates, each with a Sunny Creek logo centerpiece, are kept open during business hours. Residents enter the gate with a remote control operator, or they may key in their code at the control panel. Off-hour visitors must gain access by keying a residents code in the panel, then having the resident open the gate from their own phone.

The waterways wrap around Sunny Creek, almost enveloping the community. Water levels are permanently established by live springs and Marshall Creek.

Sunny Creek's typical lot size is 50 feet wide and 90 feet deep, a much larger area than is normally found in a land-lease community. The lots are similar in size to nearby subdivisions. The minimum setback to the street is 6 feet, which, when combined with the land area alongside the garage, generates a substantial front lawn. Sunny Creek maintains a separation of 10 feet between homes.

Homes are arrayed widthwise and lengthwise on the lots, a combination which creates great visual interest on the streetscape, especially since each model has a custom built two- or three-car garage attached to it. The developer also provides a full concrete driveway and walks. With this collection of roofline variations, gables, entries and intensive landscape, the community assumes a character very similar to the numerous site-built developments in the vicinity. There is absolutely nothing about Sunny Creek which would remind a person of the old "trailer park" which once occupied this land.

[Click to view site map.](#)

Reading and Understanding the Market

Sunny Creek was created specifically to attract and serve buyers from the local area, rather than from distant cities. The community is designated for "all ages", but the market whose needs are targeted by Sunny Creek is comprised of empty nesters and early retirees. Some Seniors have come to live here as well. Layton went for the large segment of this demographic slice by offering excellent values, modest amenities and an outstanding site. Sunny Creek Homes are not marketed as the lowest priced homes in Spokane, because Sunny Creek buyers are not looking for the cheapest housing. He says they want a really good home, tailored to their needs. While he does not characterize his owners as affluent, he thinks they have the resources to live in the home of their preference.

Spokane is the largest city in the Inland Northwest. Major private industry employers are Kaiser Aluminum, Hewlett Packard, Olivetti North America and Boeing. The median family income in the county is \$32,000. The median selling prices for homes is \$115,000. The overall rental vacancy rate is 6% and is currently in a firming trend. There are no other land-lease manufactured home communities in the region which are directly comparable to Sunny Creek with respect to its in-town site, upscale location, "conventional" style homes and development standards. Other communities are older, more stereotypical mobile home parks.

Marketing - The Product Mix

Layton uses the same collection of marketing tools he has used effectively in his previous site-built home developments and in his 25 years in real estate. At the end of a dramatic, divided entry road rest the models and sales office. The office is prominently located in the first model's garage. Layton has custom designed the office to permit the visitor to easily obtain the project literature, a portfolio of floor plans, community data, the builder's story and current pricing. A scorecard for The Creek at Qualchan is included, pointing to the nearby course.

Model homes are fully furnished, decorated and landscaped. They are open daily during business hours (Noon to 5), and buyers are allowed to inspect the homes at their leisure, without pressure.

To bring buyers to Sunny Creek, Layton employs a marketing mix which emphasizes print media, with a secondary reliance on regional shows and exhibits. A regular advertising program inserts ads in Spokane newspapers, real estate and manufactured housing magazines, and business journals. Exhibits at home and garden shows have proven to be good lead producers. And, in the 1995 Spokane Home Builders Show, Sunny Creek won every first place award in its price category, despite (or perhaps because of) its being the only manufactured home among the 20 in the entire show.

Layton occasionally makes use of direct mail marketing. Because he creates a computer listing of each person who visits the community sales office, he has a convenient tool for remaining in contact with interested prospects.

Directional signs, both large billboards and smaller signage, have always been instrumental in Layton's real estate marketing and he uses them for Sunny Creek as well. He now plans to add electronic media to his mix.



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Buyers may select from a series of homes at Sunny Creek ranging from 1,075 to 2,200 square feet. All floor plans are laid out to accommodate a natural traffic flow through the home, and in and out of the attached two-car garage. Unlike many manufactured home plans, the entries are on the street-facing wall, whether the model is arrayed widthwise or lengthwise on the lot, instead of being on a sideyard-facing wall.

Most floor plans have two or three bedrooms, with optional study, and two baths, in keeping with Sunny Creek's primary market's needs. The study is optionally convertible to a third bedroom, but only a couple of homes have been ordered by buyers with this layout.

All of Sunny Creek's models contain the energy saving features specified in Bonneville Power Administration's Super Good Cents program. Known once as the MAP (Manufacturer Acquisition Program) specification, this set of stiff construction, insulation and set up standards was once voluntarily complied to by all manufacturers in the three Pacific Northwest States, with a financial incentive being provided by the BPA. The program has now ended, but it survives Sunny Creek, to create all-year comfort and economical operating costs for its homeowners.

All homes are installed over excavated sites, which lowers their profile, and helps shed the "mobile home" image. To enclose the perimeter of the home, to prevent soil sloughing and to add vital structural support to the perimeter of the home, Layton uses Perimeter Support Jacks from Abesco Distributing Company, spaced 8 feet apart, and Hardipanel fiber-reinforced cement sheet panels from James Hardie Building Products. Abesco's Perimeter Support Jacks are rated for 6,000 lbs. support each, and the Hardipanel is approved as an in-ground panel siding. Excavated soil is partially backfilled against the Hardipanel siding to create the low profile and to create the proper drainage slope away from the house.

Contractors at Sunny Creek complete each home in an average of 30 days from the date the home arrives from the factory, including all on-site finishing work.

Prices for the new homes range from \$69,990 to \$119,990. Many extra optional features are available, reflecting the diversity in buyers' tastes. This is a common feature with manufactured homes. Buyers report that the ability to choose from many optional features is an attraction to them, compared to site built homes, where such selections are usually few in number.

The Turtle Cove model (illustrated) outperforms all others in popularity, has 1,350 square feet, and is priced to start at \$91,990. Number two is the Country Garden, which, starting at \$99,990, gives the owner 1,675 square feet. Rounding out the top three is the Duck Crossing, starting from \$74,990 and containing 1,160 square feet.

Special Financing for Special Needs

Deutsche Financial Services provides wholesale inventory financing (flooring) for Sunny Creek, while Washington Mutual Savings Bank is the lead provider of home financing for Sunny Creek's buyers. Homeowner financing options include fixed-rate and variable-rate loans with down payments as low as 5% with 25 year terms. Because the homes are not classified as real property, the rates run about 100 basis points above contemporary Fannie Mae conforming mortgage loan rates, but about 100 to 125 basis points below traditional consumer loan rates used for most personal property manufactured home financing.

To date, however, fully half of Layton's buyers have elected to pay cash for their homes, reflecting the more secure financial status of buyers which Sunny Creek attracts.

The Long Term Lease

Homeowners lease their lots at Sunny Creek. In contrast to many manufactured home communities with short term rental agreements, Sunny Creek's residents enjoy the stability and protection of a 25 year lease. To offer the resident greatest flexibility, this 25 year term is comprised of an initial 5 year term, plus 4 consecutive 5-year options. If the lease is not in default, the decision to exercise each option is strictly the resident's.

Current lot lease rates range from \$200 to \$325, averaging \$265. From the initial rate, adjustments may be made each year, up or down, based on the movement of the All Urban Consumers U.S. City Average Index (CPI). Layton reports that he has waived this annual adjustment so far during the project's filling stage.

In addition, certain government-mandated cost increases, such as taxes, fees and utility costs, are pro-rated and passed through to the residents. At each optional 5-year renewal point, new base lease rates are negotiated, reflecting market conditions and comparable costs.

This lease was developed after Layton studied many others and is an excellent blend of features, terms and protections for both the land owner and the homeowners. It's a very fair and equitable agreement and it has become one of Sunny Creek's marketing assets.

Community Amenities - Not Needed?

Sunny Creek is a little unique among better-quality land-lease communities in that it has no community buildings or recreational facilities, but has an RV parking area, and an exercise path which winds around the perimeter of the property along the ponds and fountains. Layton feels that, because of the incredible array of recreational activities, especially outdoor sports, which are within only minutes of the site, his residents would rather not pay the cost burden of a clubhouse and on-site recreation equipment.

After polling many other land-lease community developers and owners, Layton concluded that many employed these expensive and maintenance-heavy features merely as marketing tools, knowing that the facilities would receive relatively little use by the residents over the years. He found that, "In some places a desire to sell large amounts of sizzle have meant building some rather substantial steaks. I found national statistics showing that only 17% of residents use their clubhouse facilities." Layton analyzed that, in his case, buyers weren't looking for novelties in their

lifestyles, so he felt he could forego constructing a community center.

The nationally renowned mountain resorts of Coeur d'Alene and the Idaho panhandle are only 30 miles away. Canada lies two hours to the north. The Columbia River, with its numerous boating and fishing sites, is only an hour's drive west. Nearby fields and streams provide prime hunting and fishing grounds. Golfers can tee off at the adjacent Qualchan Golf Course. Sunny Creek buyers, being mostly locals, know they have huge recreational opportunities right in the area.

Lessons Learned

"People are not going to be slam-dunked," Layton expounds. "For projects like Sunny Creek, people are there not because they don't already have a home, but because they are looking for something better than they have now."

Layton disdains the high pressure sales practices found in some parts of the manufactured housing industry. "I believe in 'be-backs'. The average person has come to Sunny Creek five times before they decided to purchase." Layton trains his sales staff to be helpful and courteous, and to educate home shoppers. This trait has followed Layton from his real estate and new site built home construction days. He is firmly confident that, as the manufactured housing industry evolves into more of a mainstream housing provider, the automobile sales practices which characterize much of today's marketing, will eventually disappear.

While Layton has carefully put together a co-op marketing program with area Realtors, he has not been able to do the same with area manufactured home retailers. According to Layton, the retailers think that Sunny Creek is taking business from them. "But," he says, "we are filling a need which the dealers do not want to fill. We are selling the complete, turn-key home, with garage, landscaping and complete amenities. We're not just selling the box."

Layton feels that another marketing challenge is overcoming the unnatural concept of leasing land under a permanently sited home. "People are going to want to buy before they lease," he comments. Sunny Creek spends considerable time with each buyer, educating them to the merits of land-lease versus fee simple ownership. Since half of his buyers pay cash for their home, they can invest the portion of their purchase which normally would pay for the land. Income from such investments can cover a significant portion of their lease fee, and their principal is preserved intact. Sunny Creek's success is due to a carefully mixed combination of location, home styles, selling formula and sensitivity to the needs of its target market. "We are providing a lifestyle of amenities and convenience with great potential appreciation," Layton concludes.



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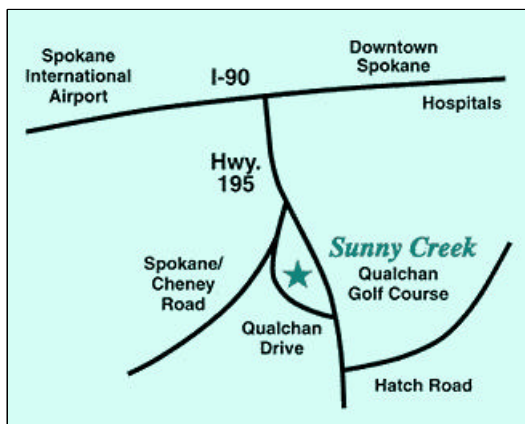
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DIRECTIONS

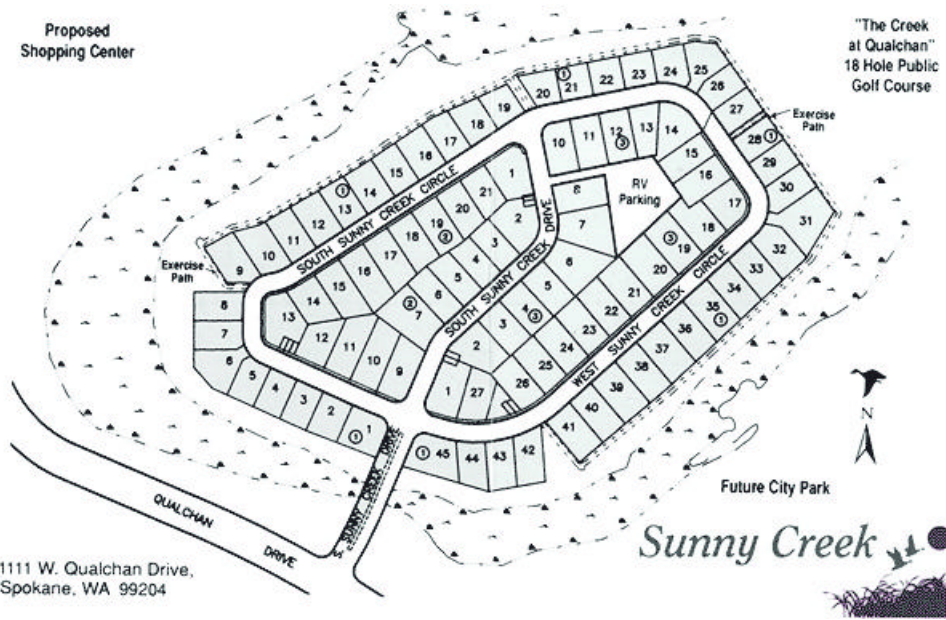


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Site Map

Proposed Shopping Center

"The Creek at Qualchan"
18 Hole Public Golf Course



1111 W. Qualchan Drive,
Spokane, WA 99204

Sunny Creek