


THE DAILY ASTORIAN

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Who knew?

Warren Buffet’s company is a mobile-home slumlord

It’s like discovering the person we thought was Santa Claus. Is actually rapaciously mean old banker Mr. Henry F. Potter from *It’s a Wonderful Life*: respected philanthropist Warren Buffet turns out to be America’s worst mobile-home slumlord.

This is the conclusion of an investigative series by *The Seattle Times* and The Center for Public Integrity, the first part of which was published April 2. Buffet’s Berkshire Hathaway, the legendary investment conglomerate that has built a reputation for sensible acquisitions of famous American companies, owns a veritable rat’s nest of mobile-home interests collectively known as Clayton.

“Buffett’s mobile-home empire promises low-income Americans the dream of homeownership. But Clayton relies on predatory sales practices, exorbitant fees, and interest rates that can exceed 15 percent, trapping many buyers in loans they can’t afford and in homes that are almost impossible to sell or refinance,” the investigation found. See the story at tinyurl.com/n7pnlsf.

Mobile homes are a decent housing option for about 20 million Americans. Thanks to square-foot prices that can be far lower than stick-built homes constructed on-site and arrangements like leasing rather buying the land on which they sit, mobile homes are often the default choice for first-time rural home buyers, retirees, the disabled, immigrants and the working poor. Here in coastal Oregon and Washington, where available jobs sometimes don’t pay enough to afford a mortgage on a conventional house, mobile homes put roofs over the heads of many in the hospitality and seafood industries.

In other words, there’s nothing wrong with mobile homes. But there’s a lot wrong with taking advantage of those who lack good alternatives.

The *Times/CPI* story makes it clear that beyond simple corporate greed, there is much blame to go around for political leaders, who have acquiesced to millions of industry lobbying in recent years from a trade group called Manufactured

Housing Institute. The result has been a hands-off approach to the industry and to the specific practices engaged in by these Berkshire Hathaway-owned firms. Some obvious legislative and regulatory reforms highlighted by the report:

- Mobile-home buyers now are usually forced to take out personal-property loans, meaning that their homes are classified in the same way as motor vehicles and can be seized with little or no warning or legal oversight. Usually, unless the mobile home is tied together with a land title, judicial foreclosure protections don’t apply.
- Despite being told 15 years ago by Congress to make mobile homes more affordable by investigating issues like loan terms, the federal Department of Housing and Urban Affairs has yet to do so. This contributes to issues like Clayton getting away with loan interest rates far in excess of the industry as a whole. Nationwide, Clayton’s rates averaged 6.8 percent more than those for a typical home loan in the 2010 to 2013 period, compared to 4 percent more for other mobile-home lenders. In Oregon, Clayton’s rates exceeded 7.5 percent more during that period, whereas other lenders averaged only 3 percent more.

• Clayton and related Berkshire Hathaway firms are described in the investigation as engaging in a wide variety of practices that most people would consider sleazy — such as running multiple mobile-home lots under different names in the same city that pretend to compete against one another, and leading borrowers to believe they can only qualify for loans through Clayton-owned lenders. All this is an ugly picture, to which Clayton and Berkshire Hathaway have barely bothered to respond. They must do so. And state and federal intervention is long overdue.

It’s not too late

“It’s not too late” could become the motto of the Port of Astoria. After a disastrous decision to close its boatyard, Port Executive Director Jim Knight on March 17 reversed course, saying “It’s never too late to make the right decision.”

Now the Port has appointed a boatyard committee to build a strategy. The 11-person group looks like the real deal. There are boat owners and others who work in the real world of boat repair. A few names especially stand out. Kurt Englund of Englund Marine represents a busi-

ness that was recruited to Port property on the premise there would be a boatyard. Tim Hill of J&H Boatworks has overseen a number of high-visibility boat reconditioning and reconfiguring projects while also building boats. Steve Fick of Fishhawk Fisheries works at the epicenter of our region’s fishing industry.

No business these days — public or private — lives in isolation. Many of us seek advice and consultation regularly. The Port will benefit enormously from the real-life knowledge this group will bring to the table.

Doing the job well

Construction workers have noted how polite and appreciative Astorians have been while having their streets torn up to accommodate the Combined Sewer Overflow project. This is a monumental public works project made necessary by federal mandate.

Derrick DePledge reported last Friday that Astoria water ratepayers could get some relief. In essence, the rate of increase in the consumption surcharge will likely

be lower than had been projected.

The best news is that the city’s Public Works Department has planned this extensive project thoroughly. And the city has been entrepreneurial in seeking grants and federal stimulus money to carry a share of the costs.

Updating the subsurface infrastructure of a city as old as Astoria has turned up some surprises. The city has dealt with those admirably.

McDonald’s turns ‘progressive’

By MARK BITTMAN
New York Times News Service

You could almost feel sorry for McDonald’s.

That’s an odd sentiment when you consider that the company’s revenues in 2014 were \$27.4 billion and its stock price makes it worth something like \$92 billion.

It’s among the world’s most valuable brands and has three times the U.S. market share of Subway, its nearest competitor.

Envious. Yet for years its new products, business ventures, even social media attempts have gone wrong: It sold a 90 percent share in Chipotle, now one of its strongest competitors; it introduced products like chicken wings, which went nowhere; it created a Twitter hashtag, #McDStories, that turned into a bashing event. And it has spectacularly failed to attract or even hold on to millennial customers, who’ve fled in droves.

Meanwhile, it’s the most visible target of an alliance of workers fighting for \$15 an hour (most McDonald’s workers make slightly more than the federal minimum wage, \$7.25, but it varies by state), and its food is seen as anything but sustainable, fresh or healthy. A result has been a decline that includes a whopping 15 percent drop in its U.S. operating income in the last quarter of 2014.

The company is losing customers to higher-end burger chains like Shake Shack and Five Guys, to small but intriguing startups that makes locally sourced, slow food appealing, like Dig Inn, to Chick-fil-A (around \$5 billion in sales in 2013) and, of course, to Chipotle, which has sales in the \$4 billion range.

McDonald’s can’t get a break. In the last two months, the company has made several well-publicized big announcements that were widely greeted with yawns or jeers.

The first was a decision to phase out chickens raised using antibiotics meant to treat humans. The second was to unilaterally raise the salaries of those minimum-wage workers the company directly employs by at least a dollar an hour, granting a small amount of paid vacation time to company employees and financial assistance for education to all workers in its system. And the third was to

AP Photo/Houston Chronicle, Cody Duty
Diana Herrera leads protesters outside a McDonald’s, April 2, in Houston. The Fight for \$15 campaign, which began calling for fast-food chains to raise wages and allow workers to unionize in 2012, wasn’t mollified by McDonald’s announcement last week that it would boost pay.

begin referring to itself as a “modern, progressive burger company.”

Is it too little, too late? Recall Polaroid trying to manage digital photography or BlackBerry struggling to recover after being devastated by the iPhone. Once again, an entrenched company has sat back while nimbler, more with-it others ate its lunch. Many of the new fast-food chains are paying workers better, sourcing sustainable ingredients, creating different forms of fast food and even making better burgers. Now McDonald’s is trying to play catch-up.

But it’s using half measures, and that’s the problem. It’s not like the competition is going to go away, and the brand may be permanently tarnished. Fixing that isn’t going to be easy, and it’s not even clear whether it’s possible.

What McDonald’s should do is go all in and really transform itself, because

the effect of positive change would be immeasurable. Instead it tries to play it both ways, controlling what franchisees buy and sell but insisting that it cannot dictate how they treat employees. Thus the wage increase touches only around 11 percent of the chain’s workers, and workers immediately decry it as inadequate. (Even Wal-Mart did better.) No one turns down a raise, but this one virtually guarantees that most of the company’s workers will remain eligible for food stamps, thus perpetuating the public subsidy for McDonald’s labor force.

‘Hey McDonald’s, let’s be blunt/This is just a PR stunt.’

Reopening the U.S. Embassy in Tehran

By ROGER COHEN
New York Times News Service

LONDON — The nuclear deal with Iran is still only preliminary, but if concluded it will represent the most important U.S. diplomatic achievement since the Dayton Accords ended the Bosnian war two decades ago.

That agreement was imperfect. Still, not another shot was fired in anger after the loss of more than 100,000 lives.

This accord, too, reflects harsh realities — Iran has mastered the nuclear fuel cycle — yet represents the best possibility by far of holding Iran short of a bomb, ring-fencing its nuclear capacities, coaxing change in the Islamic Republic, and ushering a hopeful society closer to the world. If the yardstick is effectiveness, and it must be, no conceivable alternative even comes close. Perfection is not part of diplomacy’s repertoire.

President Barack Obama, through his courageous persistence, has changed the strategic dynamic in the Middle East. As he reassures worried allies, especially Israel and Saudi Arabia, he has also signaled that the U.S. will pursue its national interest, even in the face of fierce criticism, where the logic of that interest is irrefutable. Blocking Iran’s path to a bomb, avoiding another war with a Muslim country, and re-establishing diplomatic contact with a stable power hostile to the Islamic State amount to a compelling case for an America facing a fragmenting Middle Eastern order.

It is not a bad thing to remind allies that enjoying irrevocable support from the United States cannot mean exercising a veto on U.S. actions. Indeed, it may

be a good thing, because it stimulates creative reflection. This breakthrough with Iran, impossible without the tireless work of Secretary of State John Kerry, looks like the cornerstone of Obama’s foreign policy legacy.

Of course, the president needed partners. He found them in other major powers, but most of all in President Hassan Rouhani of Iran, who, as Karim Sadjadpour of the Carnegie Endowment for International Peace observed to me, “aspires to be Iran’s Deng Xiaoping.” Rouhani’s mantra is: Preserve the system, fast-forward the economy, open to the world.

Rouhani does not aspire to be Iran’s Gorbachev. His thing is adaptation, not

Roger Cohen

transformation. He is of the system, hence his room for maneuver. Unlike Iran’s hard-lin-

ers, he believes preservation of Iran’s theocracy is compatible with — perhaps dependent on — normalized relations with the rest of the world, including the United States. That is a potential game-changer.

Perhaps the most significant words after the agreement came from Rouhani: “Some think that we must either fight the world or surrender to world powers. We say it is neither of those, there is a third way. We can have cooperation with the world.” He added: “With those countries with which we have a cold relationship, we would like a better relationship. And if we have tension or hostility with any countries, we want an end to tension and hostility with those countries.”

There were no qualifiers there — not for “the Great Satan,” as the United States has been widely known in Iran since the theocratic revolution of 1979, not even for Israel. The message to the fight-or-surrender, heads-in-the-sand

That the nonantibiotic move has taken this long (Chipotle has tried to be antibiotic-free for more than a decade, as has Panera) and is so incomplete — that is, there’s no word about pork or beef, and the move is being phased in — also seems pathetic. (Even more pathetic is the refusal of the Food and Drug Administration to mandate the removal of nonmedicinal antibiotics from animal production, but that’s another story.)

These moves demonstrate that McDonald’s is hardly a “progressive” company but one that is merely trying in a halfhearted way to catch up with changing market norms and to anticipate inevitable regulation.

If McDonald’s were truly progressive, what would it do? It might revamp the menu in favor of sustainably sourced and fresher food (it’s worth noting that in Britain, McDonald’s uses free-range eggs and organic milk), and might increase its workers’ wages (and hours) to something approaching a living wage.

It may be that the biggest beneficiary of McDonald’s recent moves is the food movement, which, smelling blood, continues to apply pressure. (In response to the raise, some demonstrating workers chanted: “Hey McDonald’s, let’s be blunt/ This is just a PR stunt.”) And that movement continues to gain credibility as it attends more to the rights of humans than those of animals - not that animals don’t matter, but it’s all relative.

It’s great that McDonald’s blinked. I’d love to see it become a truly progressive company — I’d even help them if I could — but if that’s not in the cards, it would be fine to see a continuing decline in its business. Either would be a satisfactory ending to the McDonald’s story.

hard-liners was clear. Once again, Rouhani suggested he is more courageous and resourceful than Iran’s other presidential reformist, Mohammad Khatami, who spoke a good line but could not deliver.

Many Iranians are rubbing their eyes in disbelief: Obama’s post-accord statement broadcast in Tehran (selfies taken against that TV backdrop became popular); praise of Obama’s understanding of Iran from former President Hashemi Rafsanjani; support for the preliminary agreement at Friday prayers. A revolution that delivered not freedom but oppression is now promising reasonable adaptation to changed times. But of course Iran has often veered from reason.

Renewed disappointment is not implausible. There are implacable opponents of détente in both countries. The supreme leader, Ayatollah Ali Khamenei, has been silent, even if things could never have come this far without his backing. He may well fight to keep the deal hermetic, sealed off from a wider opening. Rouhani takes an opposite view: He wants a deal that is a catalyst to fixing Iran’s relations with the world. Obama, too, hopes that a concluded deal “ushers in a new era in U.S.-Iranian relations.”

At the very least, if finalized, the deal condemns the United States and Iran to interact for more than a decade. They will be in conflict about most things. That’s all right. Institutionalized discord is far better than traumatized alienation. I cannot see the accord being hermetic. There’s too much pent-up expectation among Iran’s youth, too much economic possibility, too much pro-Western sentiment, too much U.S. business interest in Iran. Of course, that’s what Khamenei is afraid of. Yet he’s come this far.

The 40th anniversary of the revolution, and the seizing of American hostages in Iran, is four years off. I’d bet on the U.S. Embassy in Tehran reopening then. The ice has broken.