Factory Constructed Homes: An Option for Affordable Housing
September 20, 2007

California Manufactured Housing Institute
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Director, Local Government Relations
Who is CMHI?

- California Manufactured Housing Institute
  - Oldest Professional and Industry Trade Association in the Nation

- Our Mission is…
  - “To advance the availability and ownership of quality, high value homes, marketed by licensed retailers, by promoting the purchase of factory constructed housing and the development of desirable sites and communities in California”

- Your primary resource for information!
Director, Local Government Relations

- Industry Liaison with...
  - California’s 536 cities and counties
  - Housing and Community Development (HCD)
  - Caltrans and CHP
  - Local Governments and Agencies

- Our Process...
  - Ideally proactive
  - Daily newspaper and “Google” monitoring
  - Review local gov’t meeting agendas and minutes
How Factory Constructed Housing Can Help You!

- Support Local Government Interests
  - Alternative for city planners while considering their Housing Element
  - Lower construction costs
    - Typically 10 – 20 % lower that site constructed
  - Faster completion dates
- Help meet “Green” standards in municipalities
Basic Differences: Manufactured Homes vs. Factory-Built (Modular) Housing

- A **Manufactured Home** is built to a preemptive federal health, safety and construction code.

The HUD Code
Differences...

- **A Factory-built Home** is built to the:

  California Building Standards Code and regulations pursuant to Section 19990 of the California Code of Regulation Title 24
Differences…

- A **Mobilehome** was built to the California Mobile Home Code in place at its time of production…

  - Primarily a *systems* code - not a performance and safety code
  - *No* single family mobilehomes have been built in California since June 15, 1976
What about Foundations?

- **Factory-Built Homes** are always installed on a permanent foundation and titled as real property.

- **Manufactured Homes** can be installed on a support system and titled as personal property (chattel) or on a permanent foundation and titled as either personal property or real property.
2006 Statistical Estimates

- **1.4 million homeowners**
  - Nearly 650,000 factory constructed homes
  - Approx. 300,000 manufactured homes
  - Balance primarily mobilehomes built prior to 1976

- **367,361 land/leased lots**
  - 4,815 manufactured home communities (parks)

- **Registered as personal property**
  - Riverside County – 89,947 units
  - San Bernardino County – 85,936 units

- **Placed outside of land/leased communities** –
  - Approx 70% of new sales
  - 31% installed and financed as real estate

*sources – California Manufactured Housing Institute
California Department of Finance*
2006 Top Ten California Counties by New Home Placement

<table>
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<tr>
<th>County</th>
<th>Placement</th>
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<tr>
<td>RIVERSIDE</td>
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<tr>
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<td>219</td>
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* Source - Sawtooth Research Group
Factory Constructed Housing through the Years – Transitions

Temporary Shelter to …
Transitions…

Permanent Housing…
Transitions…

Land Leased Communities to Private property…
Transitions…

Single – Section to…
Multi – Section to…
Two Story…
Transitions…

Now, we add Factory-built !!!
Various Designs Suited for Smaller Inner-City Lots

- **Two Story:**
  - For narrow lots
  - “Trailer park” conversions

- **Two Story:**
  - Standard Lot
  - In-fill and PUD’s
Designs....

- Multi – Family:
  - Density
  - Affordable housing!
Designs…

- Town Homes:
  - Density
  - Affordability
  - Architectural Compatibility
Designs…

- Architectural Compatibility:
  - From Cottage to Southwest and many others
More designs….

- Including Mountain Lodge homes…
What is Affordable Housing?

**Narrow Definition –**

- “Housing is considered affordable when a monthly mortgage or rent payment is no more than 30 percent of income. **So defining affordable housing requires a consideration of both income and housing costs.**”

- California housing element law defines four income categories based on the percentage of an area's median income:
  - Very low-income 0 - 50 %
  - Low-income 50 - 80 %
  - Moderate-income 80 - 120 %
  - Above moderate-income 120 +%

* Source - :California Health and Safety Code Section 50052.5 and 50053; National Low Income Housing Coalition*
Affordability....

**Broad Definition** –

“Anyplace that I can afford, on the money that I make, that I can call **home**.”

**Factory constructed housing can satisfy *both* definitions!**

- Price points available from manufacturers to meet construction cost and sales price limits
- Municipalities can purchase direct from manufacturers
- Eligible for subsidized and insured financing programs
  - CalFHA, VA, FHA
  - Grants, HOME Funds
  - Forgivable loans
Affordable Housing in Oakland!

Above: Linden Street before and after

Right: Completed “E” Street project
Loma Linda Affordable Housing!

Court Street Before

Lind Avenue Before

24966 Court Street

Lind Avenue After
Quality and Affordability Factors

- Quality is “conformance to standards”

- Quality Control defined –
  “an aggregate of activities (as in design analysis and inspection for defects) designed to ensure adequate quality, esp. in manufactured products”

- Factory constructed homes provide quality, high-value homes
“The problem is we need new homes in all price ranges, and given the constraints on housing and ever rising fees, it’s all but impossible to meet the need in the entry-level market, where our need’s the greatest!”
Why is Factory Constructed Housing Less Expensive than Site-built?

- **Affordability Factors –**
  - **Efficiency of the assembly line**
    - Homes are built in a controlled environment
    - *No* weather delays
    - “Scrap factor” – material usage
    - Labor is utilized more efficiently
    - Lower turnover rates = lower training costs
    - Enormous purchasing power
  - **Reduction in the number of contractors**
    - At the factory
    - On site
  - **How much savings over site-built?**
    - Manufactured homes: 20-30%
    - Factory-built: 10-20%
What About Factory Constructed Housing and Building “Green?”

- According to **Global Green USA**, there are five major elements in building green or building materials:
  - **It Saves Energy** – products that either reduce heating or cooling loads by design or orientation,
  - **It Conserves Water** – products that conserve water above and beyond legal requirements; or products that consume less water, such as native landscaping and drought-tolerant plantings.
  - **It Contributes to a Safe Healthy Indoor Environment** – products that don’t release significant pollutants into the building; such as non-toxic caulks and sealers, and CRI Green Label Carpet.
  - **It Protects Natural Resources** – products with recycled content; products made from agricultural waste material,
  - **It Reduces Buildings’ Impact on the Community** – products that mitigate the effects of chemical contamination, ground disturbance, or air pollution.
How we build “Green”

- Factory constructed homes are built in a **controlled environment** where materials, painting techniques and waste management are subject to state and federal regulations.

- **Recycled products** such as tires and axles are utilized, and homes can be built to meet Energy Star® standards.

- **Site work has a minimal environmental impact.**
  - On-site and at the factory
  - Dust control
  - Minimal disruption to the site and neighborhood,
  - Removal of waste products, and
  - Landscaping and water usage is optimized
Challenges to Factory Constructed Home Developers

- Much the same as site-built developers –
  - Land acquisition costs
  - Development Impact Fees
  - Limited resources available to process paperwork
  - Attractive zoning for “communities”

- Public misperception –
  - “Sins of the Father’s” – pre-HUD Code homes
  - Misplaced prejudices
  - Media focus on the negative

- Local government misconceptions
Challenges cont.

- **Unique Deliver Method** –
  - Manufacturer, Dealer, Contractor, Installer

- **Attractive Financing** –
  - FHA, VA, CHFA, Conv. Mortgages:
    - Available, but with restrictions for MH
    - Available with NO restrictions for factory-built
  - Personal Property (chattel) Financing:
    - Available, not California specific – low loan amounts
  - Construction Loans:
    - Different needs for factory constructed housing
    - Limited programs
    - Self-financing common
In Summary….

- **Factory constructed housing** is a viable option for developers and planners! They offer –
  
  - Lower construction costs
  - Architectural compatibility to surrounding homes
  - Multitude of designs to fit any lot size
  - Affordable by design and definition
  - High quality, high-value
  - A “Green” alternative for developers
  - Challenges – much the same as site builders

- **Questions?????????**
California Manufactured Housing Institute

Please call or visit us at our website anytime!!!!

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