

TESTIMONY OF  
PENNSYLVANIA MANUFACTURED HOUSING ASSOCIATION  
BEFORE THE  
PENNSYLVANIA HOUSE REPUBLICAN POLICY COMMITTEE  
ON  
THE ECONOMIC IMPACT OF THE MANUFACTURED HOUSING  
INDUSTRY

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PRESENTED BY  
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EXECUTIVE VICE PRESIDENT

Good morning, my name is Mary Gaiski. I am the Executive Vice President of the Pennsylvania Manufactured Housing Association. I wish to thank Chairman Benninghoff, Representative Oberlander and committee members for the opportunity to educate you on the manufactured housing industry. An industry that has been an integral part of Pennsylvania's manufacturing sector, and an industry that has been providing quality housing at an affordable price to Pennsylvanian's since the 1940's.

The Pennsylvania Manufactured Housing Association (PMHA) is a non-profit trade association formed in 1949 representing the factory built housing industry. Our over 650 members represent the manufacturers who build manufactured and industrialized homes (modular), retailers who sell the homes, installers, suppliers, lenders, community owners, developers and many other service related businesses. Our industry provides Pennsylvania with over 15,000 jobs and injects over 1.5 billion dollars into the economy.

Pennsylvania is considered a production state and is home to 33 factories that build manufactured and industrialized homes, more commonly known as modular homes, and distribute them throughout the Northeast and Mid-Atlantic states. Manufactured homes are built to the federal Manufactured Home Construction and Safety Standards (HUD Code) and modular homes are built to the International Residential Code (IRC) under Pennsylvania's Industrialized Housing Act (IHA). This is the same code adopted by the Pennsylvania Construction Code for conventional constructed homes. Both manufactured and modular homes are regulated by the Housing Standards Division within the Department of Community and Economic Development (DCED), to assure code officials and consumers alike, that manufactured and modular homes are compliant with all federal, state and local codes.

Whether the home is built to the federal HUD Code or under the IHA program, from factory to home site, both have quality assurance programs in place to assure compliance with approved engineered designs for all aspects of construction. Though the HUD code is a performance based code and the IRC is a prescriptive code, it is many times difficult to distinguish between the two products. The biggest distinction is the label that must be affixed to the home prior to leaving the factory. The label assures that the home was built to the

appropriate code following strict quality assurance programs. A red label is affixed to the outside of a manufactured home and a gold and silver label is found inside a modular home, typically in the cabinet under the kitchen sink. Since manufactured homes are designed for mobility, they are required to be built on a chassis. With that said though, once sited less than 5% of the homes are involved in a secondary move. Though modular typically are not built on a chassis, there are on-frame modulares in the market place.

The benefits of a manufactured home include efficient assembly line production in controlled conditions, high quality materials, standardized construction to exact specifications, low material waste, minimum on-site construction time and computerized designs which offers a bottom line savings to the end consumer. We use the same quality products and materials as site builders.

When tying a manufactured home to the site, all homes must be anchored against wind and protected from frost heave or other environmental concerns. To assure this is done correctly, the federal HUD code requires all manufacturers to provide instructions on how to install the home to the building site and Pennsylvania requires all manufactured home installers to be certified and undergo mandatory training every three years. This is regulated by DCED. Currently, over 400 individuals are certified to install manufactured homes. This same training is required for building code officials as well.

Unlike modular manufacturers and our site built housing competitors, manufactured housing factories and their sales people are required to be licensed by the Department of State's Vehicle Board. Companies that sell manufactured homes to consumers and their sales people must be licensed by the Vehicle Board as well. A modular manufacturer can sell directly to the consumer or through a builder; manufactured homes can only be sold by a licensed vehicle dealer. We refer to them as retailers.

There are over 200 licensed retailers in the state. Many of them sell both products. Homes are built in box like configurations and are limited in size since they are shipped over our highways using an oversized permit. Floor plans range from 980 square feet to well over 2200

square feet and come in one, two or three sections; single story and two story. They are 80 to 95 percent finished when they arrive on site. Exterior coverings include wood, vinyl and aluminum, with stone and brick accents. Inside the home, consumers will find fully equipped kitchens with name brand appliances, luxury baths, family rooms, mud rooms, fireplaces, built-in stereo systems, wiring for today's technology and vaulted ceilings.

Modular homes are built to be sited on real property. The retail price of a modular home (exclusive of land) starts at \$150,000 and depending on its size and where it is placed, can be higher. Lenders finance them using a typical mortgage product. Manufactured homes have a bit more flexibility when it comes to installing them, they can be placed on private property or in developments exclusively designed for manufactured homes, which are known as land lease communities. In land leased communities, the consumer owns the home and the developer owns the land which is leased to the homeowner. The average price of a manufactured home in Pennsylvania, exclusive of land, is \$68,000. If a manufactured home goes on private property, a lender may allow the use of a mortgage loan; however, since manufactured homes are titled, most lenders finance them through installment loan programs.

Prior to the mid-1990's, 90% of all manufactured homes sold went into land lease communities (aka mobile home parks or manufactured housing communities). This was not by choice, but due to discriminatory zoning laws throughout the state. These laws prohibited the placement of manufactured homes in residential zoning districts. In 1986 PMHA successfully challenged such an ordinance in Lehigh County all the way to the State Supreme Court. Though discriminatory zoning ordinances are not as prevalent as they once were, there are still many on the books, which continues to limit housing options for today's families.

The Manufactured Home Community Rights Act (Act 261) defines a manufactured home community to be a parcel of land that has 3 or more homes that are built to the federal HUD code. Based on this definition, Pennsylvania is home to over 2300 land lease communities. The average size of a land lease community is 60 sites. Most of these communities were built in the 1960's and 1970's. Today these communities are facing some of the same challenges our cities and towns are facing – aging infrastructures, rising energy, water and wastewater costs and

abandonment of homes. Additionally, since they are businesses, they are further burdened with disclosure requirements, threats of rent control and laws that will limit their ability to make sound business decisions, as well as pressure from local governments to close communities to replace them with commercial or multifamily developments.

Since 2008, land lease communities have been greatly impacted by the lack of lending sources for those wishing to purchase new and preowned manufactured homes located on leased land. Where we once had hundreds of lenders willing to finance new and preowned homes, today there are five active nationally and a few more operating within states and regions. Because of this, homeowners looking to sell their homes need to find a cash buyer or greatly reduce the price of the home. Because of this, community owners are faced with transitioning their communities from the traditional land lease to home rentals. Many are also creating their own financing programs, which can present further challenges.

According to the last census there are over 230,000 manufactured homes located in Pennsylvania which represents 4.6% of the housing stock. PMHA's community members represent approximately 50,000 of those homes.

Manufactured homes are the most affordable (unsubsidized) homeownership option in the market today. As an industry, we remain optimistic that despite the challenges we face, our industry is positioned to continue to provide quality housing at an affordable price to Pennsylvanian's well into the future. And, as an association, we are committed to making sure homebuyers continue to have the option to purchase a home built in a factory and in the end they are comfortable and satisfied with that decision.

Again, we thank the Committee for the opportunity to share our industry and its challenges and welcome any questions.

