

Hello, thank you for the opportunity to share some thoughts on the issues facing affordable housing in PA.

My name is John Fanelli. I am one of the owners of Riverview Homes, Inc. headquartered in Vandergrift, PA. Riverview is a retail sales operation, which sells and assembles manufactured and modular homes throughout Western PA. We have been in business since 1970, and have 6 sales centers. Riverview has about 90 model homes on display, and currently employs 47 people. Our employees sell, deliver, install and service factory built homes into approximately 20 counties in PA. We also deliver into Northern WV and Eastern OH. Since 1970, Riverview has delivered and installed over 25,000 factory built homes.

My Brother and I also own a mortgage brokerage company; we hold a mortgage-banking license and provide mortgage end loans, construction loans and chattel loans to our mutual customers. We are also partners in a company that builds custom high end factory built homes featuring LEED certified and energy star modular housing.

My family also has principle ownership of a PA manufactured and modular manufacturing facility, 5 additional retail sales centers, 3 of which are located in PA, and 2 manufactured home communities both located in PA.

All combined, these companies employ about 275 people.

I'm also proud to say that I have sat on the PMHA Board of Directors since July of 2001.

I wasted this time telling you about me for only one reason. I wanted to stress the commitment and support in this product, and ultimately affordable housing, that I have. To be honest, it is all I've known for most of my life!

I believe that manufactured housing is truly the last hope that many folks have when searching for affordable housing in PA.

There are many issues that prove troublesome to our industry. I would like to focus primarily on manufactured housing, homes built to the federal HUD code and their impact in PA.

The Manufactured Housing Industry seems to have many masters. I could talk about this in many areas, but let's start with code issues.

In PA, there are two codes that residential single-family housing can be built to. The first is what we are talking about today, referring to manufactured housing, the HUD code. The second is what most of us are more familiar with, the International Residential Code (IRC). Currently PA is using the 2009 IRC, for site built and modular construction.

One issue that's troublesome is when the two codes meet. Our home from the factory is built to the HUD code, but the site work, foundation, decks; etc. is built to the IRC. DCED regulates and certified installers inspect the manufactured housing portion, but the local Building Code Officer inspects the rest. Although the lines are fairly clear, the interpretation is usually not the same twice!

So, the Federal Government regulates the homes, the site work is regulated through local enforcement, usually a Building Code Officer and finally the installation of the home itself is regulated by Pennsylvania through DCED. With

all of this, we wonder why we have what I refer to as “code clash”. Code clash is simply when the right hand and the left hand clash over who is in charge of what!

Let’s be frank the Unified Construction Code is many things. But it simply is NOT unified. It is not unified as it relates to the IRC throughout the state. And, it is certainly not unified when the two codes meet. Every day we are faced with misinterpretation of the code and often we are faced with simple pure bias as it relates to our product. More importantly, is the cost associated with these “code clashes”. As a retailer, we know we will have to add things in to get a certificate of occupancy that is not required. We are adding in for the hassle we know we will have and of course passing this cost on to our customers.

The building codes themselves continue to add cost to our end user. Often times these codes are adding far more front end cost than benefit our customers. Frankly we continue to add to the cost and are preventing many families from ever being able to build. Every major code change at both the Federal HUD code level and the State IRC level is adding thousands of dollars to our end

product. I agree that some of the changes are necessary and important, but in many cases, new codes are overkill. I would urge everyone voting on any new code changes to consider this, for every new homeowner we price out of the market; we push that family into existing housing which is most likely built to a far lesser code than what we are building now. Often times they are moving into a home that was built 30 or 40 years ago. How have we protected that family? Would they be better off with last years "unimproved" code? Would their family be safer?

I know am probably "preaching to choir" on this next issue. But here goes. We need LESS government. The continued increase in bureaucracy, regulations and new laws are totally overwhelming to small business today. They are adding huge cost to our businesses, which are being passed on to our customers. We continue to have huge expenses for licensure, and compliance. We spend far too much time and money trying to meet some type of regulation. Usually a regulation that no one understands including the regulators. We spend and spend and spend in an effort to comply with something that at the end of the day we are still not certain if we are in compliance or

not! These costs continue to chip away at what is left of affordable housing in PA.

Manufactured housing is by far the most regulated Housing in the Commonwealth. All factories are licensed; all wholesale sales people are licensed. All Retailers are licensed. All retail sales people must be licensed. All installers must pass a 2 day course, complete continuing education and be certified. We are governed by the Department of State for licensing, PA Dept. of Banking for finance issues, Penn DOT for transportation and title issues, DCED for HUD & installation issues, local municipalities for zoning and building issues, Revenue for use tax issues, the list goes on and on. All of this regulation adds layers and layers of cost to affordable housing.

I have saved our biggest challenge for last. FINANCING for any new home construction regardless of code is a train wreck! I realize that this is a Federal issue, mainly associated with Dodd Frank, but it is by far the single most reason for the slow down of new housing in the Country. In an effort to “protect” the home buyer, this law has forced many lenders to simply stop lending! This law has done far more harm to the people it

claims to be protecting, than it has done good. Lending for manufactured housing has been hit very hard. The lenders who are still offering the products are so over regulated, that they simply can't make many of the loans that should be made. At my sales centers, my salesperson is not allowed to speak with our customers about financing unless they are a licensed loan originator through MLS. Our sales people are unable to point a customer to a lender that offers lending for our product, they are unable to quote a payment or explain any lending products. All of this for a product that has only a few lenders nationally offering lending for the product. This is just one example of how Dodd Frank is hurting our Industry.

I'd like to end with this. I have touched on only a few issues. There are many more. We can all sit here and say....well that sounds terrible, but it's a necessary evil. Let me try to show you what all of these issues combined has done to affordable housing in PA.

I mentioned Riverview Homes earlier. This is the Company that I am primarily involved with daily. Here are some statistics and numbers for one

retailer in PA. Although we are a larger company limited to primarily Western PA, I suspect you would see similar numbers across PA.

Riverview Homes has dropped from a high of building 688 single family factory built homes in 1990 to 150 homes last year. This is almost an 80% drop. We have dropped from almost 100 employees to our current level of 47. Less than 50% of the employee's we once had.

Riverview had nine sales centers at one point. We are now down to six. Two sales centers were closed in the last two years alone.

Our average selling price of the homes themselves with out any land or land development costs has increased from \$26,700 in the early 1990's to \$70,634 last year. Although this 300% increase seems unbelievable, the site development costs to our customers has increased even more.

Our sales agreement or contract with our customer has gone from 1 page, to 8 pages today. In addition to those 8 pages, we have an additional 6 pages of addendums we get signed to clarify the original 8 pages!



Our average time from sales contract to occupancy has gone from a few weeks, to almost a year. This increase is primarily due to financing and permit obstacles.

One of my favorite statistics, our employee policy book has gone from 7 paragraphs in 1970 to 46 full pages today! We have policies for our employee's covering everything from sexual harassment and drug testing to cyber security.

As a small business owner, I'm asked to be an expert in Wage and Hour rules, CDL rules for transportation, Anti Steering rules for financing, Red Flag rules for record keeping, Financial Crime Enforcement, and Warranty Law to name a few. There is no question that the items we are discussing today are forcing businesses to close. There is no expansion and there is certainly no new businesses starting in this industry.

I'm not naïve, I realize that many of these obstacles have been put in place with great ideas behind them, unfortunately in many cases they have created unforeseen issues and they are nonetheless, obstacles to affordable housing in PA.

I would like to close by asking everyone to please carefully consider any new legislation that affects small business in general and affordable housing specifically. We need less regulation, we need less bureaucracy, and we need to think about the end cost of every vote cast.

Thank you for the opportunity to speak today. And more importantly thank you for holding this event and taking time from your busy schedules to attend.