





Photo: Rory Doyle/There is More Work to be Done

Modular and Manufactured Homes



Housing Assistance Council

Modular and Manufactured Homes
Delivered June 28, 2023



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Grant Beck

Next Step



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Kahya Fox

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USDA-RD -
Tennessee State Office





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Historical Low Supply



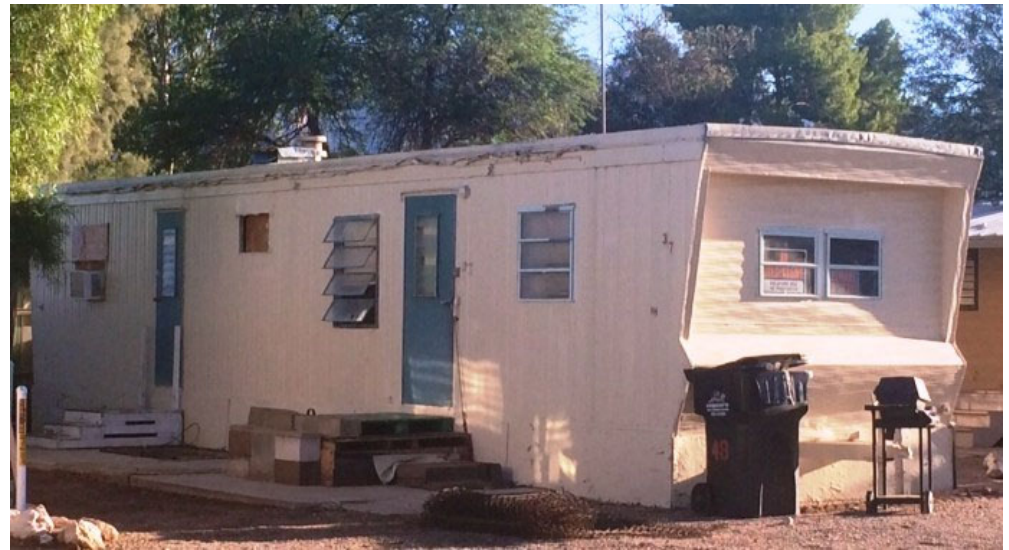
SUPPLY GAP
ATTAINABLE
EXISTING
NEW

~4 MILLION
< \$250,000
\$363,000
\$430,200

**Market pressure from millions
mortgage-ready buyers \leq 45 years old.**

Mobile Home

- Built prior to 1976.
- Unregulated construction.
- **No longer** being constructed.



Manufactured Home

- Single-family residential dwelling.
- Built to a national construction standard (HUD Code).
- Single- or multi-section.
- Inspected by independent 3rd party.



Modular Home

- Built to a local or state building code.
- Sections built and transported to a site.
- Constructed in same facilities as a manufactured home.





Our background in housing development.

2005 - original demonstration of Manufactured Housing Done Right®.

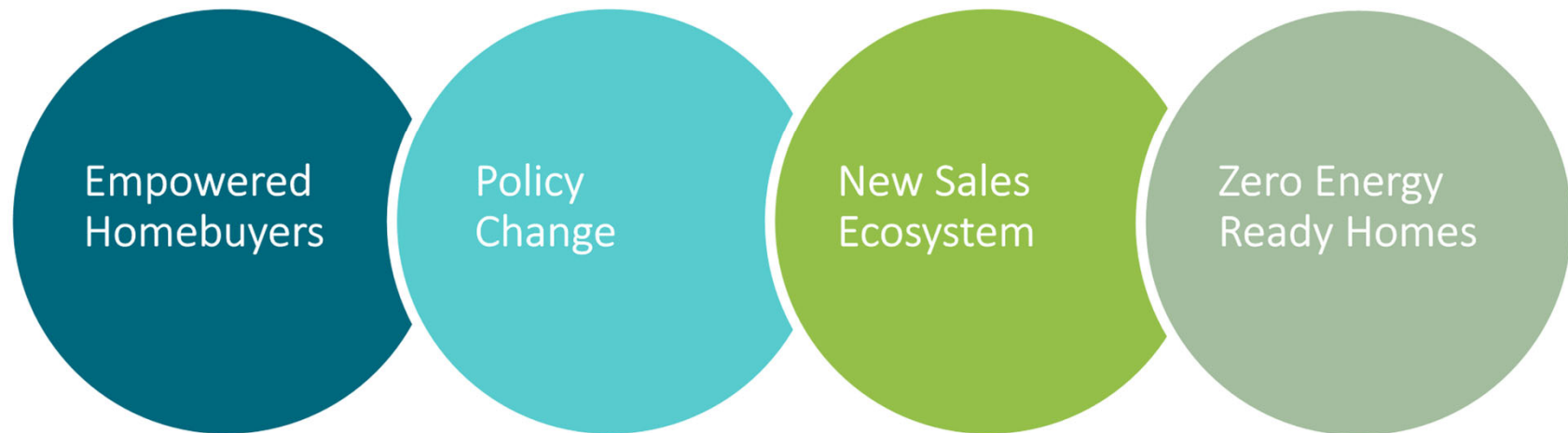
- Subdivision in Morehead, KY.

Our housing quality standards

- ENERGY STAR®, CrossMod plus an FHA Title II Foundation.
- Housing counseling and education.
- Provide access to 30-year mortgages.
- Since 2011, helped nonprofits use MH for their affordable housing programs and smaller projects.
- Trained and supported developers.

Strategies to Achieve Systems Change

Key Strategies –
Driving innovative, scalable and catalytic change





IKEA and Next Step homebuyer research.

Buyers are motivated by space, family, and budget.

- 77% interested in working with a housing expert.
- 45% of new homebuyers are interested in factory-built.
- Energy efficiency is important to buyers.
- 3 in 5 are willing to pay up to \$2,000 for energy-efficient options.

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Our policy and advocacy work.

Save homebuyers money and reduce environmental impact by advocating for increased home energy-efficiency standards.

Create more development opportunities by removing zoning and land-use barriers to manufactured homes.

Increase opportunities for more home mortgage loans and expand the number of lenders participating in the space.

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Federal and State-Level Efforts

- California and Oregon have taken proactive measures by superseding local zoning restrictions.
 - The California State Senate convenes a Select Committee on Manufactured Home Communities that studies the need for legislative changes.
- In May 2022, the White House released an action plan to help close the housing supply gap, and the use of manufactured housing solutions features prominently.
- HUD's Homes on the Hill event.
- New \$225M PRICE Fund via HUD's Office of Community Planning and Development.



New, Fee-Simple Subdivision Development | Hagerstown, MD

- 241 single-family homes on 5,000 sq. ft. lots.
- Clubhouse, nature trails, playgrounds.
- Enterprise Green Community specifications.
- Sales prices will range from \$200,000-\$300,000.



Infill Housing Solutions | San Bernardino, CA

- Partnership with a trusted community organization providing counseling and education (NPHS).
- City subsidized land and development costs.
- Attention-to-detail on home design and aesthetics.
- CA has proactive zoning measures.
- New, \$3M investment from JPMorgan Chase.



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Our Work with For- and Nonprofit Developers

- We employ a social enterprise model (nonprofit entity owns a subsidiary) that can partner with mission-aligned, private developers.
- Our subsidiary (Next Step Homes) can also take social impact investments (i.e., equity and partners).
 - Source capital for development projects.
- Local and national housing counseling partners.
- Relationships with industry partners.
- Relationships with local, state, and national housing stakeholders.





Resources and contact.

Visit <https://nextstepus.org/consulting-services/> to learn more about our services

Our resources:
<https://nextstepus.org/resources/>.

Contact me: g.beck@nextstepus.org.

Kahya Fox

Executive Director Habitat for Humanity La Crosse Area

Kahya has been a strong voice in non-profit housing for over 20 years and has been with Habitat for Humanity La Crosse Area for over six years.



**every
one**

deserves a decent
place to live.

Modular and Manufactured Housing Webinar

June 28, 2023



Wisconsin

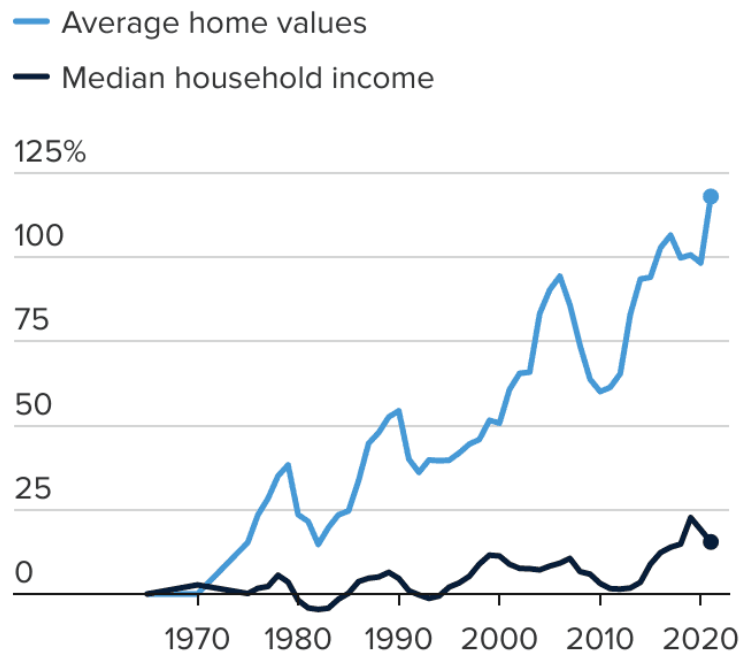
- La Crosse
- Monroe
- Trempealeau
- Vernon

Minnesota

- Houston



Growth in U.S. home values outpaces that of incomes



Source: Real Estate Witch analysis of U.S. Census Bureau data



But we need to do MORE







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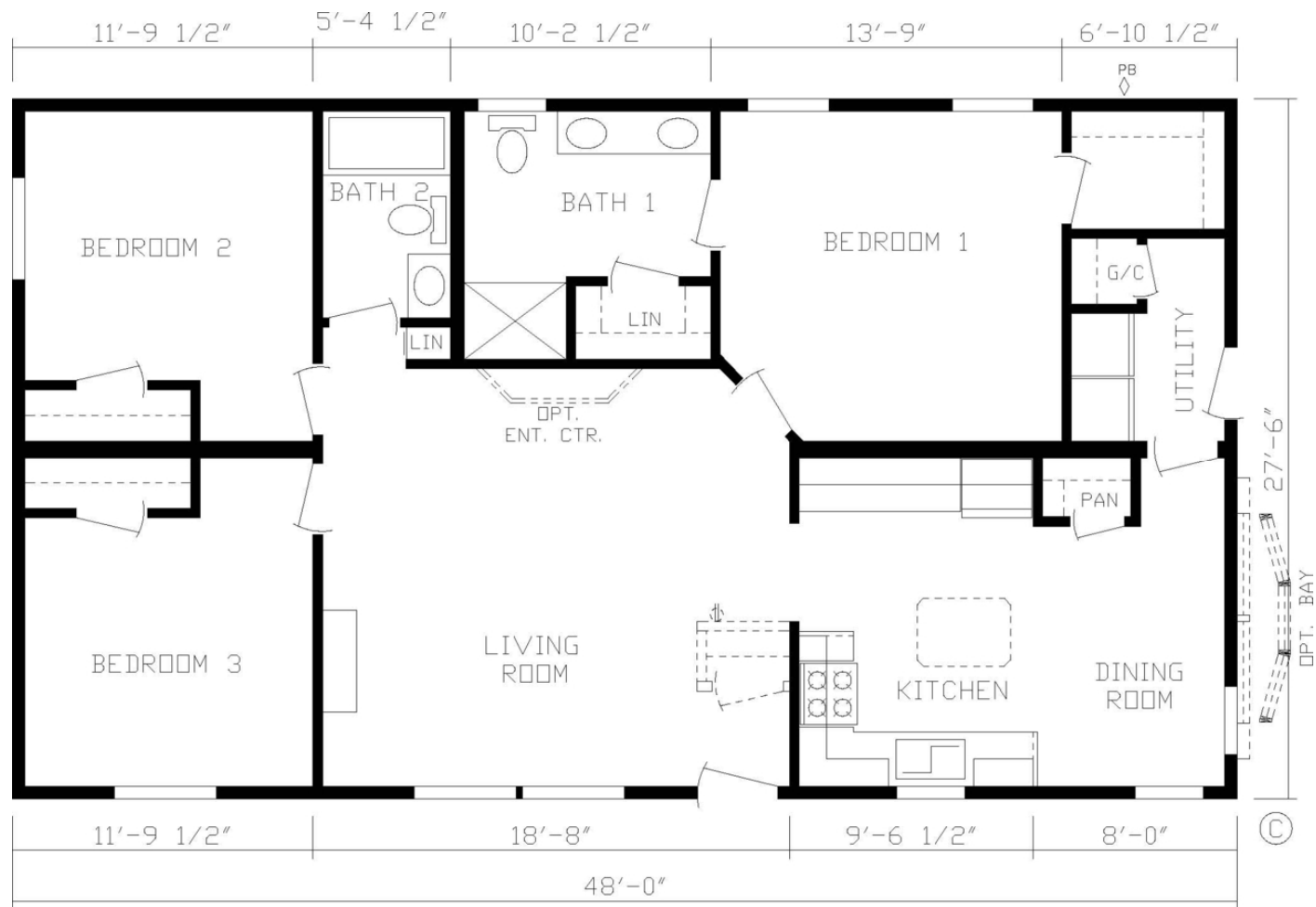
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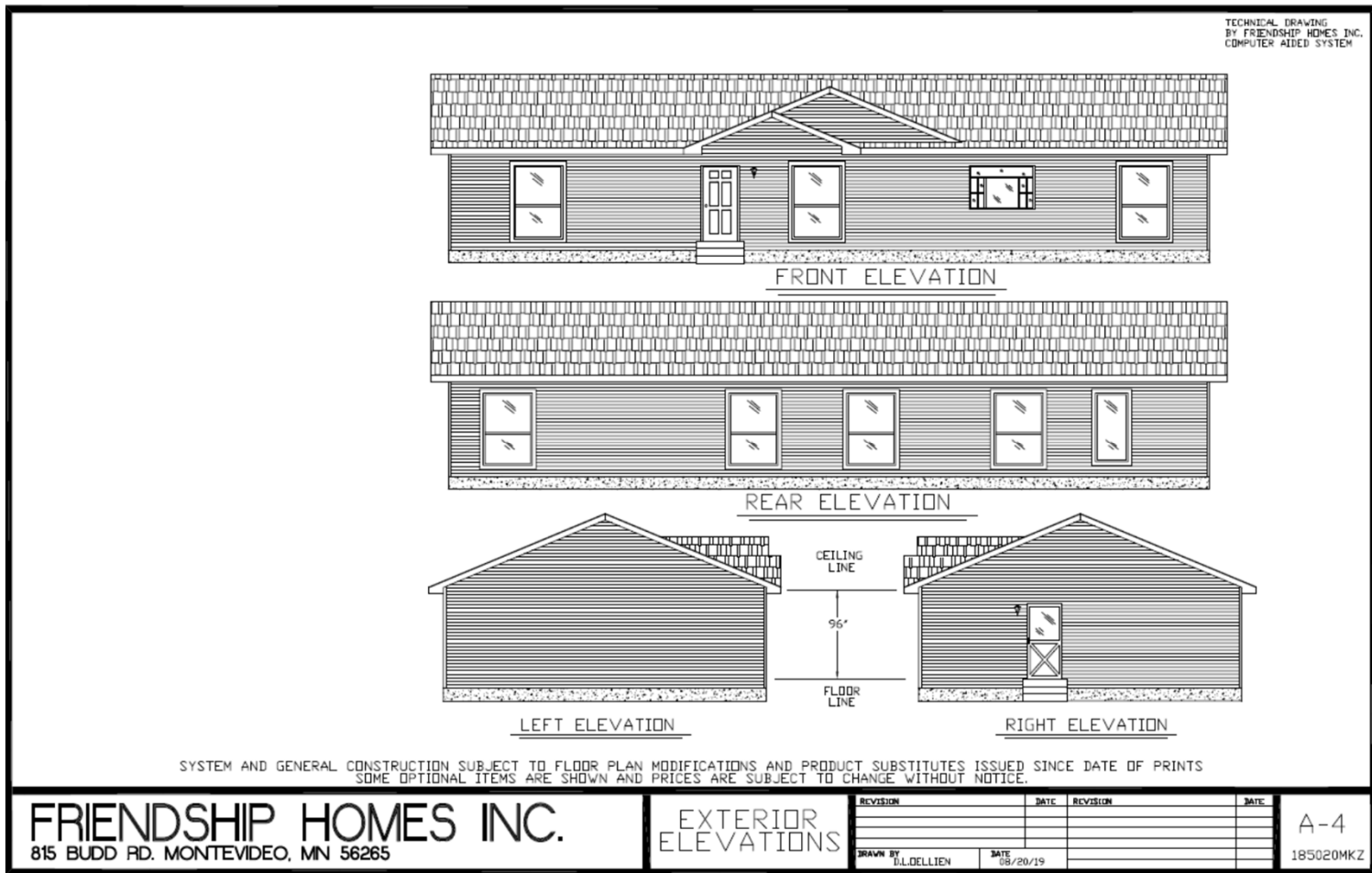
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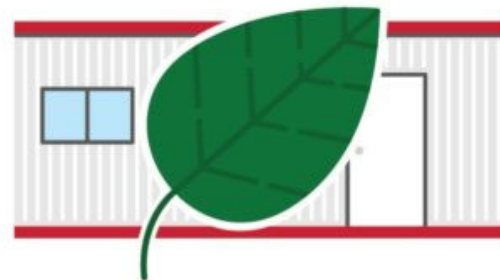
Benefits of Modular Construction



It's Faster



It's More Cost Effective



It's Greener



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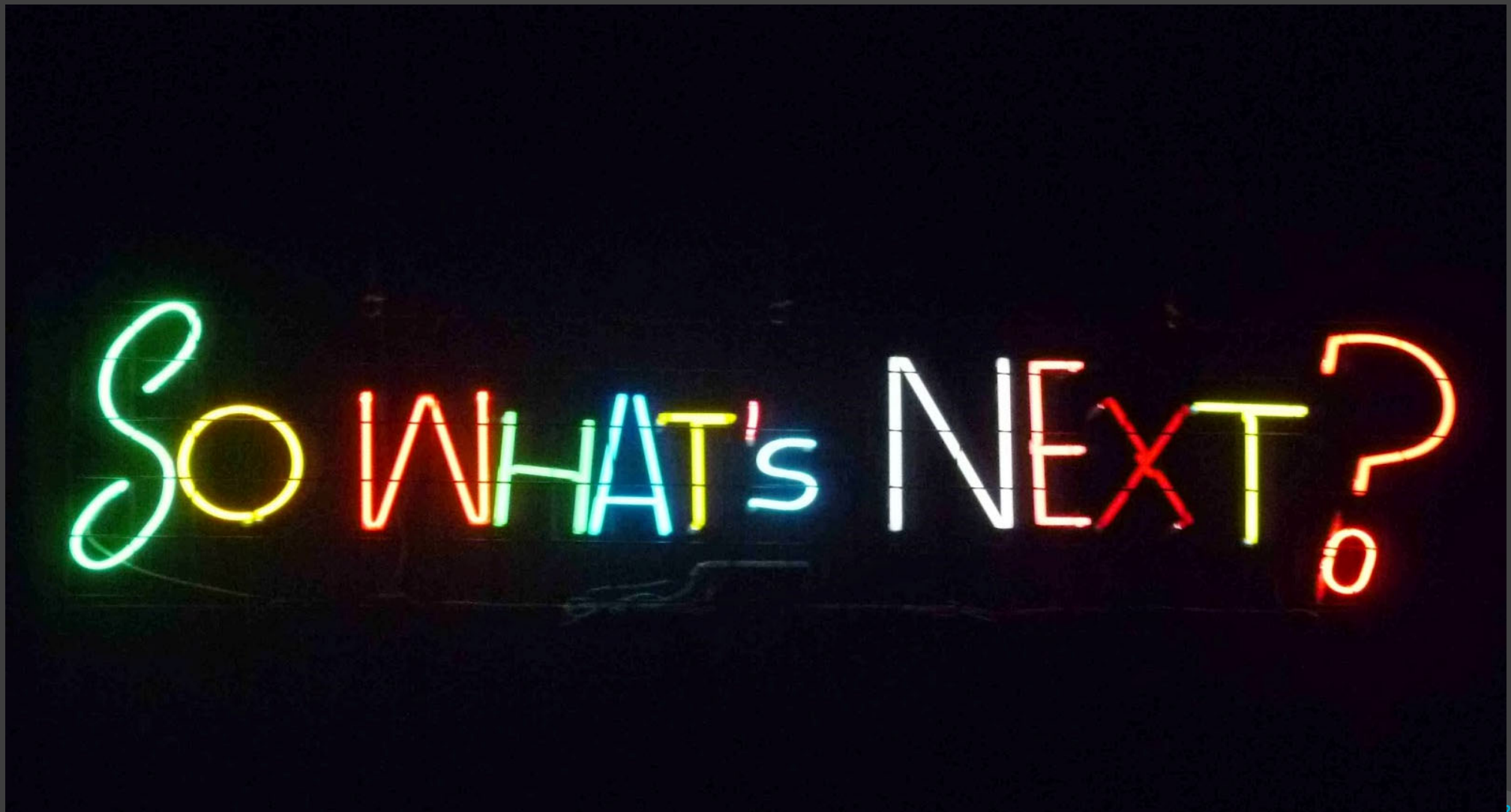
PLANNING AND DEVELOPMENT

400 LA CROSSE STREET | LA CROSSE, WI 54601 | P: (608) 789-7512 | F: (608) 789-7318

Single Family Design Guide

Please use this guide to supplement the explanations and requirements
as described in the Single Family Design Guidelines.







Thank you!





Lance Barton

CEO

HFH Staunton-Augusta-Waynesboro, VA



- Just keep doing the same thing over and over, maybe something will change
- Let's try an Experiment
- It worked! I'm incredible!
- You can be incredible too!



HABITAT FOR HUMANITY 2022 AFFILIATE CONFERENCE

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Build more. Serve more. [Be the change.](#)

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HFH Staunton-Augusta-Waynesboro:

- GSA:
 - Medium Sized Affiliate: Mixed GSA: Rural, Suburban and Urban
 - 118,000 people, 3 municipalities
- Production:
 - 6-7 Houses Per Year
- Staffing:
 - 1.5 Construction Staff
 - 3 Affiliate Staff

Keep in Mind:

Construction Variables Removed:

Does Not Include Land Cost

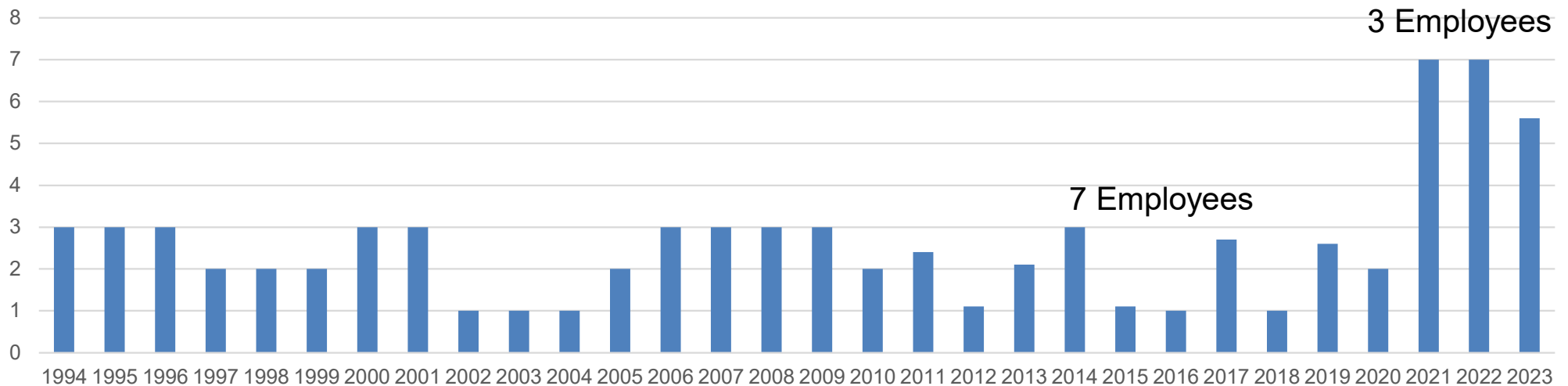
Does Not Include Land Preparation Cost (block up)

In-kind Counted as Cash

Historical Information Adjusted for Inflation*

*[usinflationcalculator.com](https://www.usinflationcalculator.com)

After 27 years of doing things the same way, we thought...
“Hey! What do you say we try something different”

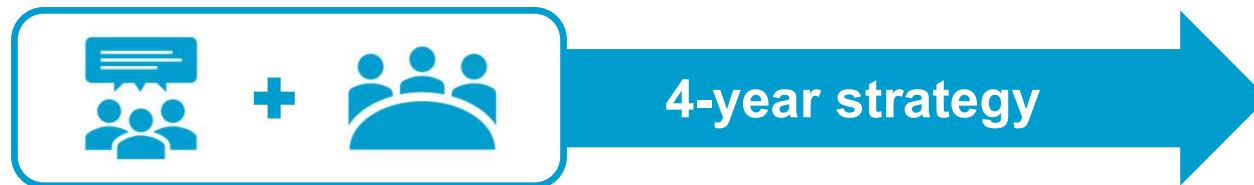


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Time to Make a Categorical Shift

1. Expand our **education**
2. Keep **volunteer** engagement strong, but more strategic
3. **Build *at least* 5 homes per year**
4. **Explore** other construction methods



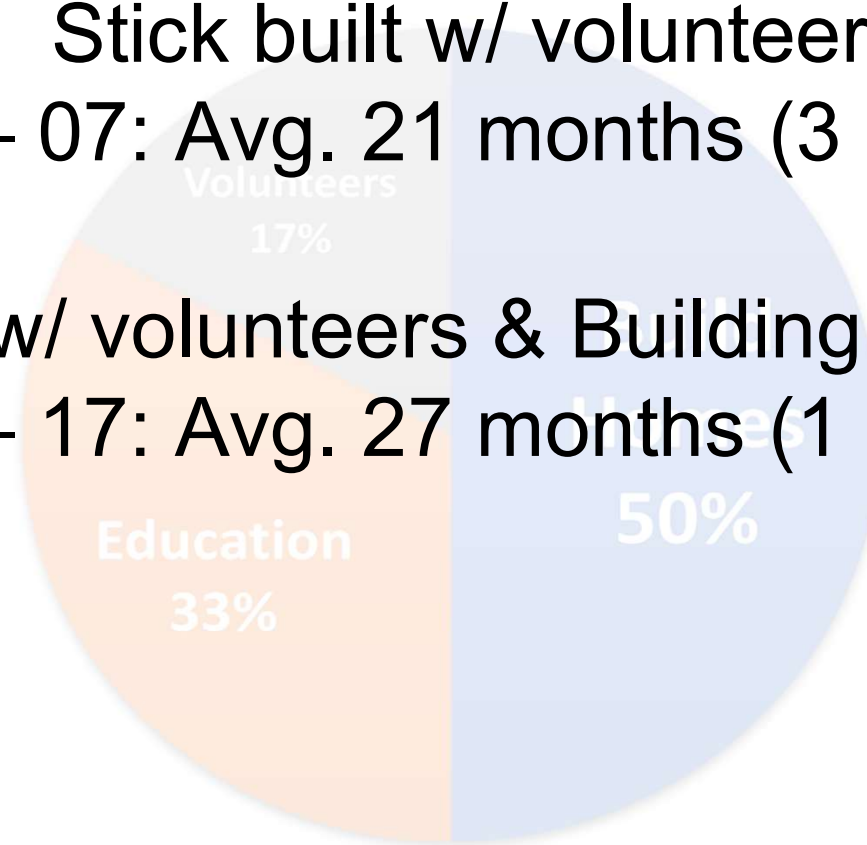
What is taking so long?

Stick built w/ volunteers

2000 – 07: Avg. 21 months (3 annually)

Stick built w/ volunteers & Building Organization

2008 – 17: Avg. 27 months (1 annually)





We visited our first factory with 3 questions:

Is it well built?

Will it look good?

How much will it cost?

We finished with surprising answers:

Is it well built?

Standard models **exceed** local building code *and* meet minimum requirements of 2024 Standards.

Does it look good?

Curb appeal designed for custom market, so it's **already built in**.

How much will it cost?

Per Square Foot Price averages **37% less** than our most cost-efficient stick-built home in the last 12 years.

Education House



100% Volunteers

Modular Hybrids



60% Factory & 40% Volunteers

Full Factory (ish)

92% Factory & 8% Volunteers



Timeline: 17 Months



Results

	Stick Built		Factory Hybrid		Factory Cape			Full Factory			
SQ. FT.	1625	1444	1444	1444	960	960	1441	600	1210	1700	1736
Materials & Labor	212,796	204,309	171,359	168,322	123,929	122,352	176,742	84,709	148,522	180,774	175,303
Direct Sq. Ft. Cost (\$)	131	141	119	117	129	127	123	141	123	106	101
DIRECT COST AVERAGE	136		118		126			118			
Overhead (Affiliate Cost Over Time)	185,010	57,533	44,224	30,000	9,650	7,955	14,100	12,122	6,500	12,500	14,500
Gross Construction Cost	397,806	261,842	215,583	198,322	133,579	130,307	190,842	96,831	155,022	193,274	189,803
Gross Sq. Ft. Price (\$)	245	181	149	137	139	136	132	161	128	114	109
GROSS COST AVERAGE	213		143		136			128			

Results:

Reduced Our Costs

Increased Our Capacity

Reduced the Strain on Affiliate
Resources

Modular:

Every factory is different

Every factory won't return your call

We found a factory that thinks like us,
don't try to change someone else's
business model.

We are an opportunity, but not every factory understands that.
You are the best person to help them understand this opportunity.

Don't squander this opportunity with a good deal on 1 house.
Leverage it to get a good, consistent product for the next 200 houses

- Most models are coming to the job site 90% finished and \$85 - \$95 per square foot
- 10% down when you order
- 90% down when it is delivered to your jobsite



- Don't be like us, make sure your foundation is perfect
- The house is square
- It's much harder to fix it when it arrives



- It's not rocket science, but the chances of killing someone is significantly increased
- Stick building a house is 1000 fires, modular is 100
- Single greatest safety measure to take: check your ego before you get to the job site.



- Setting a house can be learned, but take the time to learn
- Visit another setting or hire an experienced team for the first couple that you do
- Find a team that is willing to TEACH YOU!



- Each house comes with detailed plans for completion
- Follow the instructions



- There's still plenty to do on the house
- Much safer work environment
- Very volunteer friendly



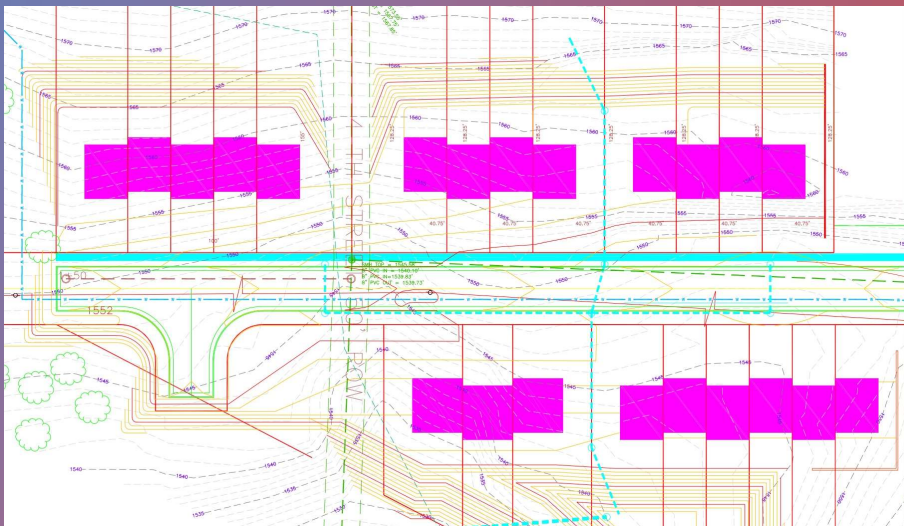
- Factory homes come with or without roofing shingles & siding
- Most factories will allow some things to be left undone
- The savings isn't in leaving things undone



Typical Timelines

- Day 1: Set the house
- Day 2-3: Properly connect the modules
- Day 4-6: Shingles and Siding
- Day 7 – 10: Porches
- Day 10 – 30: Complete interior and utility hookups
- When working on multiple houses, we anticipate 60 days to complete the house





22 Townhomes

Comparing time/costs of
Modular, Panelized, Full
Contractor builds

Adding Solar to offsite
construction

3D printed driveways?

Water Recovery Systems



Thank You for letting us
share, feel free to reach out
if we can be of any
assistance

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USDA Rural Development

Manufactured Housing

Don Harris, Housing Program Director
Tennessee State Office



Financing Options Available through USDA Rural Development

- 1. SFH Direct Loan Program (Handbook 1-3550)
- 2. USDA Guaranteed Loan Program (Handbook 1 -3555)

Manufactured Homes

The Dealer must be approved by USDA RD (Individual State RD Office)

- the items that must be submitted to USDA for loans involving the new construction of a manufactured home in Tennessee noting the following additional requirements:
 - A. Design calculations, details and drawings
 - B. A completed Plan Certification, RD Form 1924-25
 - C. A completed HUD Permanent Foundation Guide Appendix E
 - D. A completed Form RD 1924-2 Description of Materials
 - E. A copy of the Purchase Contract

Note on Unit Set-Up

- Many dealer/contractors want to set up their units on dry-stacked block piers and coat them with Sure Wall fiber-reinforced cement or masonry sparging or stucco. That method of pier construction isn't allowable when RD provides the funding. The HUD Permanent Foundation Guide has prohibited that practice since 1997. The International Residential Code doesn't allow it either. If the concrete block piers do not have mortared head and bed joints between the blocks, we can't accept them.
- We inform the borrower's selected Dealer/Contractor of this in writing in advance so there aren't any misunderstandings later if a foundation inspection fails.

■ All approved Dealer / Contractors must provide evidence of the following:

- A. Each Manufactured Unit must be **new** and constructed to meet HUD's, Federal Manufactured Home Construction and Safety Standards.
- Our Guaranteed Loan product allows for the financing of **Existing** Manufactured units that were built after 2006.

Conditions continued...

- B. The Manufactured Home must meet all local, state and federal requirements and statutes for the manufacture and installation of the unit.
- C. The unit and site must meet all of the requirements of RD Regulation 7 CFR Part 3550, Section 3550.73 and all applicable parts of RD Instructions 1924-A, 1980-D and HB-1-3550.

Conditions Continued...

- D. Provide a one (1) year “Builders Warranty” Form RD 1924-19 OR a ten (10) year Warranty with 1 year Workmanship / 2 year Systems and 10 Year “Structural “ Coverage must be executed at the completion of the development.
- E. All Manufactured houses must be set up on permanent foundations constructed in accordance with RD Instruction 1924-A, Exhibit J, or HUD’s Model Manufactured Home Installation Standards.
- F. Thermal performance of the unit must meet or exceed the HUD Climate Zone II insulation requirements.

NEW Dealer / Contractor Requirements

The Dealer must be approved by USDA RD

- Step 1: All written inquiries by entities requesting to become an RD approved manufactured housing Dealer-Contractor must be forwarded to the attention of the Housing Program Director
- Step 2: All inquiries received by the State Office will be logged in by date received onto a Manufactured Housing Dealer-Contractor applicant spreadsheet.
- Step 3: The Housing Program Director will send to the Dealer-Contractor applicant within 72 hours of receipt of the request, Form RD 1944-5 and a copy of the USDA RD Manufactured Housing Requirements and request in writing that a certified financial statement be submitted to the State Office (attached to the formal application).

New Dealer / Continued...

- Step 4: When an RD 1944-5 application and financial statement is received, the State Office will notify the Area Office to obtain a commercial report on the company and consumer credit reports on each of the principals (CCCB).
- The Area Office will verify local trade and bank references and check with the local Better Business Bureau. An inspection of the dealer's place of business will be conducted by Area Office staff to determine its permanency and adequacy of available equipment.
- Copies of the dealer's brochures, literature, guarantees and price lists will be obtained by Area Office staff at the time of inspection

Final Steps to approve Dealer / Contractor

- Step 5: A written recommendation by the Area Director, with supporting documentation, shall be made to the Housing Program Director as to whether the Dealer-Contractor is acceptable.
- The recommendation is received by the Housing Program Director and after initial review, is forwarded to the State Director for a final decision. Based upon the decision of the State Director, the Housing Program Director will issue a letter of acceptance or denial to the Dealer-Contractor.

Sample Letter to Dealer Contractor



Dealer Approved and Applicant has a Certificate of Eligibility: Construction Submittal Package:

The following items must be submitted to USDA for loans involving new construction of a dwelling in Tennessee:

1. Site Development plan
2. Individual Water Supply and Sewage Disposal Systems documentation if no public system
3. A complete set of construction plans/specifications
4. Form RD 1924-2, Description of Materials, completed
5. Form RD 1924-25 Plan Certification will be used for certification
6. Bid Form
7. Contractors TN License
8. Property Survey
9. Copy of Deed or real estate contract
10. Legal description of lot
11. Location map to property
12. Latest Real Estate Tax notice.

RD will schedule a pre-construction (set-up) meeting between the buyer, Dealer / Contractor and RD Loan Underwriter to review time frames, deliverables, inspection requirements, and draw payments.

What is required for RD new construction of a manufactured home?

Manufactured homes must be new and must be purchased from a Tennessee RD approved Dealer.

Most models they sell will be acceptable. Must be at least 400 sqft.

30 year maximum loan term.

Inspections

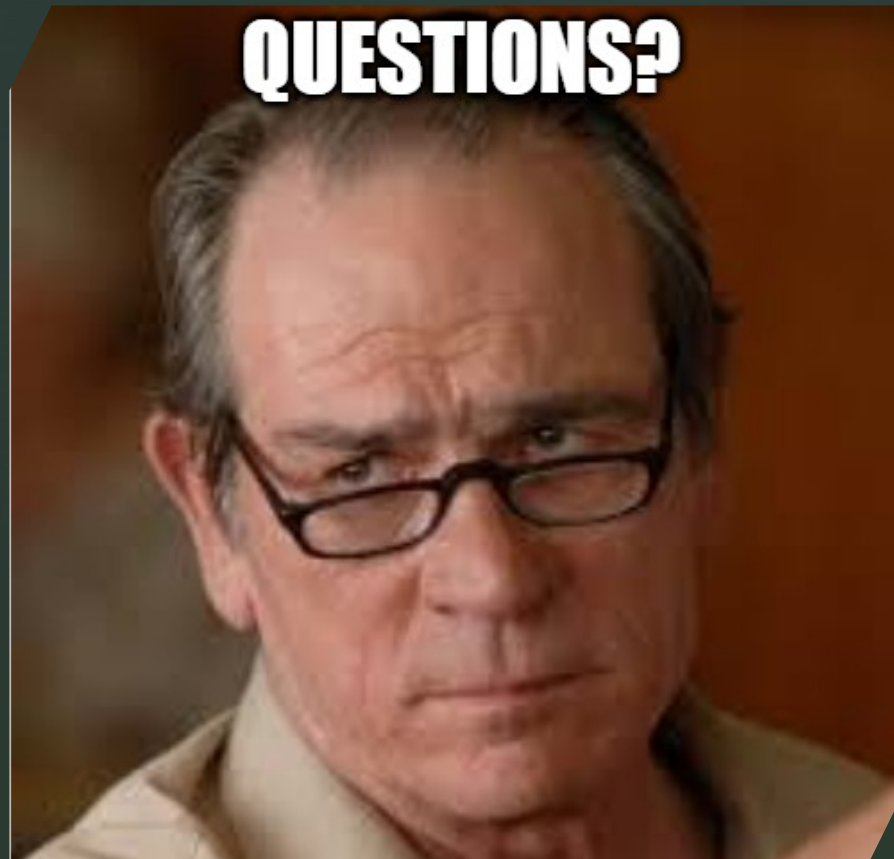
Copies of 2 third party inspections from the Local Building/Code Inspector for the footing and final

inspection noting that final will include verification that the delivered/assembled modular home matches that specified in the construction plans/specs.

NOTE: The USDA State Architect typically Participates in the Final Inspection and should be invited unless otherwise directed.

Modular Homes

- **Modular Homes: No longer must purchase the home from the USDA Approved Modular Home list.**
- **Construction Submittal Package required** for loans involving the new construction of a modular home in Tennessee.
- **Modular Homes will be treated as a New Construction build as with any other “stick built” new construction unit.**
- **The Modular Home must have certified plans and specs.**
- **Same requirements that the unit be placed on a permanent foundation.**
- **RD will schedule a pre-construction (set-up) meeting between the buyer, Dealer / Contractor and RD Loan Underwriter to review time frames, deliverables, inspection requirements, and draw payments**





Thank you

- TN RD Contacts:
 - Don Harris Donald.harris@usda.gov
 - Stephen Sargent Stephen.sargent@usda.gov
 - Mary Hickman Mary.hickman@usda.gov