



Written Testimony of:

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“Examining Bipartisan Bills to Promote Affordable Housing Access
and Safety”

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Thank you, Chairman Crapo, Ranking Member Brown, and Members of the Committee, for the opportunity to testify this afternoon about legislative proposals to address the shortage of affordable housing in the country.

My name is Mark Yost and I am the President and Chief Executive Officer of Skyline Champion Corporation. With over 65 years of homebuilding experience and 38 manufacturing facilities throughout the United States and western Canada, Skyline Champion employs over 7,000 people and is one of the largest homebuilders in North America with over 3,000,000 people choosing our home, to call their own. We build a wide variety of manufactured and modular homes, park-model RVs and modular buildings for the multi-family, hospitality, senior, and workforce housing sectors.

I am appearing before you today on behalf of the Manufactured Housing Institute (MHI) where I serve on the Board of Directors and as the Vice Chairman of MHI's National Modular Housing Council.

MHI is the only national trade organization that represents all segments of the factory-built housing industry. MHI members include home builders, lenders, home retailers, community owners and managers, suppliers, and others affiliated with the industry. MHI's membership also includes 49 affiliated state organizations. Almost 85% of the manufactured homes produced each year come from MHI member companies.

While all of the bills before us today are important, I am here to focus principally on S. 1804, the "HUD Manufactured Housing Modernization Act of 2019." MHI strongly supports S. 1804, which would require localities receiving Community Development Block Grant Program (CDBG), HOME Investment Partnerships Program (HOME), Housing Trust Fund, and McKinney Vento Homeless funds to appropriately include residential manufactured homes in their comprehensive housing affordability strategies and community development plans, which are formally referred to as a locality's "Consolidated Plan."

Adoption of this legislation would complement ongoing efforts by the U.S. Department of Housing and Urban Development (HUD) and others to break down barriers to affordable housing by providing a greater emphasis on the use of affordable manufactured homes in the formal housing and community development planning process, including giving local citizens the opportunity to comment and participate in such efforts through the Consolidated Plan process.

The bill would also likely increase the use of CDBG and HOME funds for affordable manufactured housing homeownership use, since the Annual Plans that localities use to allocate CDBG and HOME funds in their communities are required to reflect the priorities identified in their Consolidated Plans.

S. 1804 Will Help Break Down Barriers to Affordable Manufactured Housing

S. 1804, sponsored by Senator Cortez Masto (D-NV) and cosponsored by Senators Scott (R-SC), Smith (D-MN), Young (R-IN) and Cramer (R-ND), requires HUD to issue guidelines to states and localities relating to the appropriate inclusion of residential manufactured homes in their comprehensive

housing affordability strategies and community development plans, called the Consolidated Plans. Such plans are required under Part 91 of Title 24 of the Code of Federal Regulations to receive federal funds under HUD's formula grant programs, such as the CDBG Program, HOME Investment Partnerships Program, and Housing Trust Fund, for jurisdictions and for assessing performance and tracking results.

MHI supports this bill and we appreciated working with the bill's sponsor and co-sponsors to ensure the bill would positively promote manufactured housing across America. As a result, the bill presents the following formal "FINDINGS" about manufactured housing:

1. Manufactured housing is a significant source of unsubsidized affordable housing in the United States.
2. Nearly 22,000,000 people in the United States live in manufactured housing, which opens the door to homeownership for families who, in many housing markets, cannot afford to buy a site-built home.
3. Manufactured housing is the only form of housing regulated by a Federal building code, which includes standards for health, safety, energy efficiency, and durability, and is found on land owned by the homeowner and land leased by the homeowner in communities owned and operated by private entities, nonprofit organizations, or resident owned communities.
4. Manufactured homes can open the door to homeownership for millions of families; they can appreciate in value and be an effective long-term affordable housing solution for some families and communities across the United States.

S. 1804 will serve as an impetus for states and localities to recognize the importance of manufactured housing in addressing the affordable housing shortage in the country. Currently, state and local discriminatory zoning and development restrictions make it nearly impossible to site manufactured homes hurting people and families who seek the dream of homeownership. This bill demonstrates that both Congress and the Administration view manufactured housing as a top priority for addressing the affordable housing shortage in the country and that states and localities must remove barriers to this affordable homeownership option.

Additionally, a locality's Comprehensive Plan serves as the general basis for establishing how the locality is going to use its CDBG and HOME funds, which currently total around \$4.2 billion nationally, and are required to be used for the benefit of low- and moderate-income families and individuals. Localities are allocated these funds for housing and community development purposes through their Annual Plan, which in turn is required to reflect the priorities and objectives in their Comprehensive Plan.

Thus, we confidently expect that enactment of S. 1804 will result in an appropriate increase in HOME and CDBG funds being used for manufactured housing, which will increase affordable homeownership opportunities for low- and moderate-income families and individuals.

Addressing Our Country's Affordable Housing Shortage

Families across the country grapple with a housing market that currently fails to provide sufficient supply, driving up costs, and setting homeownership out of reach for too many. Freddie Mac

recently reported that 82% of renters view renting as more affordable than homeownership – an increase of 15% from February 2018. Included in the same report, which details survey data on affordability issues, Freddie Mac presented the following data, illustrating Americans’ experiences with housing affordability:

- 51% of Americans have made spending or housing changes to afford their monthly housing payment.
- 44% of renters and 35% of owners who had trouble affording their housing payment over the last two years reported having to move to afford housing costs.
- Over half of workers employed in the essential workforce (e.g., teachers, nurses and law enforcement) have made housing decisions with their student loan repayment obligations in mind.
- Half of owners and 44% of renters in the essential workforce say they had to make different housing choices to afford daycare.

On September 5, 2019, the U.S. Department of the Treasury and HUD issued Housing Finance Reform Plans. Both plans recognize the critical need for more affordable housing and identify regulatory barriers as an impediment to affordable housing.

The HUD Plan included a section dedicated to manufactured housing, entitled “Eliminating Regulatory Barriers to Affordable Housing Including Manufactured Housing.” That section stated that “policies that exclude or dis-incentivize the utilization of manufactured homes can exacerbate housing affordability challenges because manufactured housing potentially offers a more affordable alternative to traditional site-built housing without compromising building safety and quality.”

More generally, the White House, HUD and other parties in Washington are focusing on removing barriers to the development of affordable housing. In June, the President signed the Executive Order Establishing the White House Council on Eliminating Regulatory Barriers to Affordable Housing. Commenting on the creation of the Council, HUD Secretary Carson noted that “we can increase the supply of affordable homes by changing the cost side of the equation.”

Similarly, Harvard’s Joint Center for Housing Studies’ most recent “State of the Nation’s Housing” report suggests that if current inventory shortages persist, costs will continue to rise. The press release for the report states, “To ensure that the market can produce homes that meet the diverse needs of the growing U.S. population, the public, private, and nonprofit sectors must address constraints on the development process.” This is where manufactured housing presents an unparalleled opportunity to provide market-wide relief.

Manufactured Housing is Critical in Addressing Our Affordable Housing Needs

In 2018, our industry produced nearly 100,000 HUD Code homes, accounting for approximately 10% of new single-family home starts. These homes are produced by 34 U.S. corporations in 130 plants located throughout the United States.

Manufactured housing is the largest form of unsubsidized affordable housing in the U.S. and the only type of housing built to a federal construction and safety standard. It is also the only type of housing that Congress recognizes as playing a vital role in meeting America's housing needs as a significant source of affordable homeownership accessible to all Americans. Today, twenty-two million people live in manufactured housing and the industry employs tens of thousands of Americans nationwide.

As efficiency in production is inextricably linked to a market's ability to meet supply demands, manufactured housing outperforms other housing production processes. Our homes are built to a federal building code in a climate-controlled facility, away from the hazards and delays associated with outdoor construction. Our industry uses economies of scale to reduce the cost of materials and assembly line techniques and advanced production techniques to reduce overall material waste. These methods and practices are better for the environment and create savings that are passed on to the people who purchase manufactured homes.

Manufactured housing is one solution that is helping address the shortage of affordable housing in this country and make the dream of homeownership an affordable and attainable reality for millions. The affordability of manufactured homes enables individuals to obtain housing that is often much less expensive than renting or purchasing a site-built home, with the average price per square foot of a manufactured home being half the cost of a site-built home, excluding land. Indeed, the recently released Housing Finance Reform Plan report by HUD states that "manufactured housing plays a vital role in meeting the nation's affordable housing needs."

While the shortage of affordable housing has affected individuals and families across the economic spectrum, there is an inventory shortage for entry level, affordable, site-built housing. New site-built homes are generally not priced below the \$200,000 price point; however, the vast majority of new manufactured homes are priced below \$100,000. As a result, manufactured housing accounts for 80% of new home starts priced under \$150,000.

Moreover, studies show that current manufactured housing residents are highly satisfied with their decision to live in a manufactured home. A national study commissioned by MHI, which focused on the profile and experiences of current manufactured housing residents, found that an overwhelming 90% of current manufactured homeowners were satisfied with their home and 62% anticipated living in their home for more than ten years:

Resident Satisfaction

- 90% of residents are satisfied with their homes.
- 71% of residents cite affordability as a key driver for choosing manufactured housing.
- 62% of residents anticipate living in their homes for more than ten years.
- 38% of residents don't anticipate ever selling their home.
- 87% of residents are likely to recommend living in a manufactured home to others.

Additionally, the manufactured housing industry has created a new product category that has the potential to address this shortage of housing inventory while simultaneously providing the types of amenities and features that consumers seek in higher priced site-built homes.

Known as CrossMod™ homes, these manufactured homes are a point of entry for home buyers who would not have previously considered purchasing a manufactured home. They have the potential to reach areas of the country where manufactured housing has, in the past, been zoned out by discriminatory land use regulations at the state and local level. CrossMod™ homes are placed on a permanent foundation, qualify for conventional financing, and are virtually indistinguishable from higher-priced, site-built options. This new class of factory-built home can also be appraised using comparable site-built homes under special financing programs developed by our industry and the Government Sponsored Enterprises, Fannie Mae and Freddie Mac.

Prior to developing the CrossMod™ product, MHI conducted a national study to better understand what underserved, prospective homebuyers wanted and needed when considering purchasing a home. The results of this study have allowed the industry to create a product that provides consumers high-quality homes they find desirable, and at a price they can afford. When asked what home features were most important to them, MHI's study found that prospective homebuyers rated the following items as most important (all of which are provided for in the CrossMod™ product), in this order:

1. Garages
2. Energy Efficient Features
3. Pitched Roof
4. Premium Finishes
5. Upgraded Exterior

Zoning and Land Planning Restrictions on Manufactured Housing

Manufactured homes serve many housing needs in a wide range of communities from rural areas where housing alternatives are few and construction labor is scarce and/or costly, to higher-cost metropolitan areas as in-fill applications. However, zoning and land planning ordinances have a profound impact on housing patterns. In particular, restrictive local ordinances – which can include significant limitations or prohibitions against manufactured housing – can act as barriers to affordable housing.

Moreover, zoning ordinances that are exclusionary or restrictive with respect to manufactured housing can clearly violate the Fair Housing Act, as HUD and the Department of Justice (DOJ) have publicly recognized. According to a November 10, 2016, Joint Statement of HUD and DOJ, titled “State and Local Land Use Laws and Practices and the Application of the Fair Housing Act”:

Examples of land use practices that violate the Fair Housing Act under a discriminatory effects standard include minimum floor space or lot size requirements that increase the size and cost of housing if such an increase has the effect of excluding persons from a locality or neighborhood because of their membership in a protected class, without a legally sufficient justification.

Across the country, there are countless state and local zoning, planning, and development restrictions that either severely limit or outright prohibit the placement of a manufactured home. These practices discriminate against people and families who seek the dream of homeownership through manufactured housing. Examples of these discriminatory practices include:

- 1) Outright Bans – Adoption of ordinances that eliminate or ban the placement of manufactured homes in cities, localities or municipalities.
- 2) Zoning Barriers – Changing zoning laws after developers have purchased land to prevent the development of manufactured housing communities.
- 3) Segregated Zoning – Banning manufactured homes as a “permitted use” in residential zones and segregating them into one special overlay zone in one area of the city. These areas are usually far away from essential services and/or the homes act as buffers to commercial zones.
- 4) Lot Size – Requiring a certain number of acres for placement of a manufactured home on private land.
- 5) Value – Setting an arbitrary and capricious value that a manufactured home must meet before it can be sited in a city, locality or municipality.
- 6) Age – Prohibiting placement or movement of a home based upon its age.

These examples reflect a growing trend whereby local jurisdictions adopt land planning ordinances and utilize code enforcement that excludes manufactured housing without considering whether such action intentionally discriminates, or results in disparate treatment, against a protected class of persons.

Actions that Can Be Taken to Improve Manufactured Housing Availability

In addition to passage of S. 1804, there are other actions that can be taken to improve the availability of manufactured housing in jurisdictions across the country. The manufactured housing industry has long advocated that, not only must HUD be more assertive in enforcing its preemption authority under the Manufactured Housing Construction Safety and Standards (MHCSS) Act, but the Department has a statutory mandate to do so when state and local regulatory requirements are inconsistent with Congressional intent.

MHI has called on HUD to issue an updated policy statement concerning federal preemption under the MHCSS Act and the Manufactured Housing Improvement Act of 2000. While HUD has used its authority to pursue individual cases where state or local jurisdictions have introduced requirements that are incompatible with the HUD Code or development restrictions that prohibit manufactured homes, the Department must go further and update its “Statement of Policy 1997-1: State and Local Zoning Determinations Involving the HUD Code.” Updating this statement would galvanize HUD’s pledge to facilitate the availability of affordable manufactured homes.

Conclusion

In closing, MHI appreciates the opportunity to offer our ideas to the Committee about how to prioritize the importance of manufactured housing as the most affordable option to address our shortage of affordable housing in the country. As noted in our testimony, MHI strongly supports S. 1804, the

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“HUD Manufactured Housing Modernization Act of 2019.” We urge the Committee and full Senate to pass this legislation, and stand ready to work with the Committee on other ways to reduce barriers to affordable housing and to ensure that manufactured housing helps enable the American dream of homeownership.

APPENDIX – CrossMod™ Homes





