

NeighborWorks America, Rural Initiative

“Eradicating Substandard Manufactured Housing” Webinar Follow-up Questions

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Does the presentation argue that a low percentage of pre-1976 housing is low quality or that those units only represent a low percentage of all low-quality manufactured housing?

The perception among many policymakers and practitioners is that most substandard manufactured housing was built prior to the introduction of the HUD code in 1976. What the presentation attempts to show is that there are actually many substandard units in the housing stock that were built after the introduction of the HUD code. Specifically, the 2011 American Housing Survey tells us that approximately 144,000 of the 485,000 inadequate condition manufactured homes currently in use were built prior to 1975. By comparison, 280,000 inadequate manufactured homes were built between 1975 and 1995. Two important points to bear in mind when looking at these numbers are:

- Manufactured homes that the Census Bureau deems are in inadequate conditions are very diverse. The last slide in the presentation shows the definition of a substandard manufactured home;
- The Census Bureau aggregates manufactured homes by year built across five- and ten-year periods for units that were built prior to 2000. As a result, we are unable to perfectly align our analysis of unit quality with regulatory changes, such as the introduction of the HUD codes and its major updates.

What percentage of pre-76 MH is of poor quality?

485,000 manufactured homes are in substandard condition according the 2011 American Housing Survey. This amounts to 6.7% of the manufactured housing stock. Among just pre-1975 units, the percentage of units in inadequate conditions rises to 11%.

Is electricity more expensive for an adequate manufactured home than an inadequate manufactured homes?

According to the 2011 American Housing Survey, the median electric bill for a family in a substandard condition manufactured home is \$120, while the comparable figure for a family in an adequate condition manufactured home in \$125. While this might seem

counterintuitive, one important point to keep in mind is that the average size of manufactured homes has been increasing over time. If a family replaces an old, energy inefficient, single-wide unit with a state-of-the-art double-side unit, then they might not see a large reduction in their energy bill. Although they are using less energy per square foot in the new home, they are heating more square feet. This dynamic is something that needs a great deal more study, for projected energy savings are at the heart of many manufactured housing replacement programs. Bill monitoring should be included in future programs to determine whether or not those projected savings actually materialize.

Do you have a list of the replacement programs?

This list should certainly not be thought of as comprehensive. I do think, however, that it provides a sampling of the major approaches to manufactured housing replacement that have been attempted throughout the country.

Table #9: Manufactured Housing Replacement Programs

State	Program Name	Administrating Organization
CA	Mobile Home Change-Out Program	Santa Cruz County, California
CA	Mobile Home Rehabilitation and Replacement Program	City of West Sacramento, California
CA	Mobile Home Tenant Loan Assistance Program	County of Riverside, CA
FL	Mobile Home Repair/Replacement Program	Town of Davie, Florida
FL	--	Pasco County
KY	Manufactured Housing Done Right	Frontier Housing
ME	Pre-1976 Mobile Home Replacement	MaineHousing
ME	Housing Replacement Program	Penquis
MT	Manufactured Housing Replacement Program	NeighborWorks, Montana
NH	Better Homes AHEAD	Affordable Housing Education and Development, Inc.
NJ	--	Affordable Housing Alliance
NY	Manufactured Housing Replacement Program	Town of Fallsburg, New York
NY	Manufactured Home Replacement Initiative	New York State Dept. of Homes and Community Renewal
NY	Manufactured HOME Initiative II	Cattaraugus Community Action, Inc.
NY	RHOC Regional Mid-Hudson Rehabilitation 2011	Rural Housing Opportunities Corporation
NY	HOME Program	Bishop Sheen Ecumenical Housing Foundation
NY	Mobile HOME Replacement for Cayuga County	Cayuga County Homsite Development Corp.
NY	Mobile Home Replacement Program	North County Affordable Housing
PA	--	CFED
OR	reHome Oregon	NeighborWorks Umpqua
RI	Western Rhode Island Home Repair Program	--
TN	--	Eastern Eight Community Development Corporation
TN	Mobile and Manufactured Home Replacement Pilot Program	Tennessee Housing Development Agency
TX	--	El Paso Empowerment Zone
VT	Manufactured Housing Innovation Project	Vermont Housing and Conservation Board
VT	Manufactured Home Replacement Program / Down Payment Loan Program	Champlain Housing Trust
WA	--	Community Frameworks
WA	--	State of Washington

Are you aware of nonprofits using silent second mortgage?

Silent second mortgages are actually a fairly common tactic. Nonprofits will use them to cover costs not covered by a government program or a conventional loan, such as site work. A concern among nonprofit administrators who I spoke with was the sustainability of this financing model in the long term. Look out for more details on this in the white paper.

How can you incentivize absentee landlords to sell to tenants?

A key to having landlords, in general, sell to tenants is having a state law on the books giving tenants and/or a community development corporation right of first refusal on the sale of land. Absentee landlords were not a focus of my study.

What is the level of subsidy in programs?

An excerpt for the upcoming white paper (not for attribution to citation):

Programs can seek to assist homeowners with the replacement of substandard manufactured housing in a number of different ways. Loans at generous terms are a common approach. NeighborWorks Umpqua plans to use 30-year loans at 3% interest through a partner financial institution; NeighborWorks will further subsidize the loan by providing a zero interest loan with deferrable payments to help cover the down-payment. The Tennessee Housing Development Agency, in theory, granted funds to nonprofits for replacement to use as grants or loans, and it required that loans have a maximum term of thirty years and three percent interest. Riverside County, California offered a fully-forgivable forty-five year loan of up to \$40,000 at zero percent interest with deferred payment. In Santa Cruz County, California the loan was for twenty years at three percent interest, with ten percent of interest being forgiven during each of the last ten years of the term. An idiosyncratic feature of this loan was that it carried a provision that the county shared in any appreciated value on the property realized upon resale.

Many programs also include grants. MaineHousing's replacement program combines an affordable loan with a \$30,000 grant. A program in the El Paso Empowerment Zone that replaced manufactured housing with site-built units utilized grants to cover mortgage closing costs, removal of the old units, and resolution of outstanding liens. The Town of Fallsburg, NY's Manufactured Housing Replacement Program, a recipient of state HOME funds, offered homeowners a \$50,000 grant, with self-funding or low-interest loans covering excess costs.

Program designers face considerable uncertainty when they set these levels of subsidies. Their goals include ensuring affordability for households, encouraging households to leave substandard units, and spreading out available funds as much as possible. Administrators attempt to set any subsidy at a level that is sufficient, yet not excessive. For example, MaineHousing first determined that a new home would cost approximately \$100,000 and added \$8,000 to this figure in order to cover the cost of demolishing the old unit. The organization then examined the characteristics of their target population. The goal was to determine the amount of subsidy that would generally be required to help this population handle a twenty percent down-payment on a loan to cover the replacement cost. Twenty percent down was selected as the target because below that amount expensive private insurance or a government guarantee is required. The result of these calculations was a \$30,000 grant, coupled with a loan.

Have you been tracking uniform state law titling?

No, CFED is an excellent resource on national policy questions related to manufactured housing

Is it worthwhile to go for a full FHA Title II perm foundation? Does that make the home significantly more financeable in the future, or should we simply stick to permanent foundations according to the local building department's definition?

As federal policy is currently set up, FHA Title II foundations are important to opening up financing for manufactured housing because GSE are open to securitizing loans for products that require that type of foundation. Following the local building department's definition is fine, however, if your replacement program is not planning to rely heavily on FHA and USDA-Rural Development guaranteed loans.

What types of foundations have other organizations used? Packed gravel, concrete footer with runners, full pad? Screw jacks vs. block? What about skirting choices? How much have other organizations paid for permanent foundations? I understand that the costs may not be comparable across regions, but how about foundation costs as a percentage of the total project budget? Are there any best practices in terms of durability and resale value that should inform our choice of foundation design?

Unfortunately, I was not able to dig deeply into these foundation cost questions. One of my hopes for this research is that by highlighting where programs are happening, it can (a) facilitate further analysis and comparison of the programs by researchers and (b) make it easy for administrators to ask questions of their peers.