

Approved 4/22/83
Date

MINUTES OF THE House COMMITTEE ON Transportation

The meeting was called to order by Rep. Rex Crowell at
Chairperson

1:35 a.m./p.m. on March 23, 1983, 19 in room 519-S of the Capitol.

All members were present except: Reps. Justice, L. Johnson, and Dillon, excused.

Committee staff present:

Fred Carman, Revisor of Statutes
Hank Avila, Legislative Research
Pam Somerville, Committee Secretary

Conferees appearing before the committee:

Sen. Erhlich
Rep. R.D. Miller
Marge Tidwell, Kansas Manufactured Housing Institute
Ed DeSoignie, Kansas Department of Transportation
Rep. Tom Walker
Leroy Jones, Brotherhood of Locomotive Engineers
Bryan Whitehead, Brotherhood of Railway and Airline Clerks
Ron Calbert, United Transportation Union

Others Present: (Attachment 1)

Troy Wilkening, Hillsboro, Kansas
Jack Krause, Hillsboro, Kansas
Sam Funk, Hillsboro, Kansas
Arden Dierdorff, Kansas Motor Carriers Association
Vicki Timmons, Wellsville, Kansas

The Chairman called the meeting to order. First order of business was a hearing on HCR 5021 and SCR 1616. Both resolutions deal with the same issue, movement of 16' wide mobile homes. Sen. Erhlich appeared before the committee and reviewed the history of the bill as well as the content. Sen. Erhlich explained that the new language appeared in line 32 of SCR 1616 where 14' is stricken and 16' is inserted.

The Chairman opened the meeting to committee questions. Rep. Shelor asked how much of the trailer would extend over the centerline. Sen. Erhlich replied that the trailer would extend approximately 2½' to 3' across the center line. Rep. Shelor asked what would transpire in the event the roadway did not have any shoulders. Sen. Erhlich replied that in all cases of transporting 16' wide as well as 14' wide manufactured homes a special permit from the Department of Transportation is required.

Rep. Shelor and Rep. Erne raised the question of crosswinds and the effect they would have on movement of the manufactured homes. Sen. Erhlich replied that if there was any question the Highway Patrol had the authority to stop movement if the wind was too strong.

Rep. R. D. Miller testified before the committee reiterating Sen. Erhlich's remarks. There were no questions following Rep. R. D. Miller's testimony.

The next conferee on SCR 1616 and HCR 5021 was Marge Tidwell, Kansas Manufactured Housing Institute. Ms. Tidwell presented testimony in support of both resolutions stating favorable passage would enhance the industry in the state. Ms. Tidwell pointed out that manufactured housing can be produced at less cost than the site built home due to utilization of a controlled, assembly line approach to manufacturing. Ms. Tidwell recommended one amendment which would make the effective date July 1, 1983 instead of May 1, 1983. Ms. Tidwell explained her reasoning for the amendment was that Nebraska already permits the transportation of 16' wide manufactured housing and the additional time would give the Kansas manufacturers approximately two months to upgrade their plants to accommodate such manufacturing. Ms. Tidwell expressed concern the Kansas manufacturers could lose considerable revenue in the two month span. (Attachments 2,3,4)

CONTINUATION SHEET

MINUTES OF THE House COMMITTEE ON Transportation,
 room 519-S, Statehouse, at 1:35 ~~xxx~~ p.m. on March 23, 1983, 19 .

Chairman Crowell opened the meeting to committee questions. Rep. Adam asked Ms. Tidwell if there was any identifiable reason why some manufacturers had ceased operations in Kansas. Ms. Tidwell explained the manufacturers felt they were stringently watched in Kansas and the inability to manufacture 16' wide units had diverted some companies to surrounding states.

The last conferee on the resolutions was Ed DeSoignie, Kansas Department of Transportation. Mr. DeSoignie briefed the committee on KDOT's position and the results of an evaluation conducted by KDOT on the proposed movement of 16' wide units of manufactured housing. Safety factors, traffic regulations, maintenance of the system, the traveling public, and economic considerations were all weighed in the evaluation. The conclusions of the evaluation were that as long as the movement was a permissive movement controlled by the "special permit" requirement, adequate control could be maintained. Mr. DeSoignie stated in view of the findings, KDOT supported HCR 5021. (Attachment 5).

The Chairman opened the meeting to questions. Rep. Campbell asked what is the maximum length for mobile homes. Mr. DeSoignie stated the maximum length was 80'. Chairman Crowell added the 80' length was from the hitch to the rear of the home. Chairman Crowell asked Mr. DeSoignie to clarify his position. Mr. DeSoignie stated the department supported the resolution. There were no conferees appearing in opposition to the resolution. The Chairman concluded the hearing on HCR 5021 and SCR 1616.

HCR 5038 was the next order of business. Rep. Tom Walker, principal sponsor of the bill, appeared before the committee in support of the resolution. Rep. Walker stated the resolution simply urges Amtrak to resume the Lone Star Passenger Service from Kansas to Texas.

The next conferee was Leroy Jones, Brotherhood of Locomotive Engineers. Mr. Jones said he was pleased about the interest shown on this issue and supported the reinstatement of the Lone Star. Mr. Jones pointed out to the committee that Kansas was the 3rd largest state in terms of railroad miles.

The Chairman opened the meeting to committee questions. Rep. Shelor asked Mr. Jones if a feasibility study had been done. Mr. Jones replied to his knowledge it had not, but felt the need was there for increased public transit.

Mr. Bryan Whitehead expressed appreciation for and support of the resolution.

Mr. Ron Calbert, United Transportation Union, expressed support of the resolution and reiterated Mr. Jones' testimony in terms of increased public transit. Rep. Knopp asked Mr. Calbert if there were any figures available regarding costs to renew the Lone Star. Mr. Calbert replied his organization did not have any, but felt Amtrak would have the figures available. This concluded the hearing on HCR 5038.

The next order of business was committee discussion and action on bills heard previously. The Chairman opened discussion on SCR 1616 asking Ms. Tidwell to comment on a proposed amendment in Line 33 after the word width to strike 16' and insert ... "14' in width until July 1, 1983 and not exceeding 16' on and after July 1, 1983." Ms. Tidwell stated this would be satisfactory and could not see any problem.

Rep. Knopp asked why the amendment was being offered. The Chairman explained the problem with surrounding states currently being able to transport 16' wide manufactured homes and perhaps Kansas companies would lose business without the amendment. Rep. Erne moved to adopt the amendment. Rep. Harper seconded the motion. Rep. Knopp again expressed concern regarding the amendment citing time factors for final passage of the bill if the Senate version was amended. Rep. Knopp felt the bill could be placed on the Consent Calendar if it were not amended. Rep. Erne withdrew his motion with the consent of Rep. Harper. Rep. Erne moved to recommend SCR 1616 favorable for passage and that it be placed on the Consent Calendar. Rep. Knopp seconded the motion. Motion passed.

CONTINUATION SHEET

MINUTES OF THE House COMMITTEE ON Transportation,
room 519-S, Statehouse, at 1:35 aXX/p.m. on March 23, 1983.

The next item for discussion was SB 359. The Chairman reviewed the contents of the bill for the committee stating SB 359 would delete Kansas' participation in the 1963 Vehicle Safety Compact. The Chairman expressed concern whether KDOT had the authority to promulgate rules and regulations referencing standards of the Vehicle Safety Compact if Kansas' participation was abolished. Mr. DeSoignie, KDOT, stated the department has been advised that they have adequate authority for such rules and regulations. Rep. Wilbert moved SB 359 be reported favorable for passage. Rep. Justice seconded the motion. Motion passed.

SB 169, sponsored by Sen. Chaney, was considered for action. The Chairman asked Mr. Carman to refresh the committee on the contents of the bill. Mr. Carman reviewed the standards contained in KSA 72-1111. This statute concerns compulsory school attendance and exemptions and reads. . . "When a recognized church or religious denomination that objects to a regular public high school education provides. . ." Mr. Carman explained that the criteria in that statute were primarily the same as the wording in SB 169. The Chairman expressed concern that the bill should have some type of amendment to tighten up the standards on who could be exempt, and suggested taking action at a later date. The committee had no objections.

The Chairman briefed the committee on tomorrow's agenda (3/23/83). He said the committee should be prepared for possible action on SB 169, SB 308, SB 309, and SB 288. Chairman Crowell expressed three areas of concern about SB 288. if it were passed in its current form; 1) changing non-highway titles to highway titles, 2) obtaining assembled vehicle titles, and 3) verifying foreign or out-of-state vehicle titles. Chairman Crowell informed the committee he had asked for an amendment requiring these types of vehicles to have a VIN check to insure the VIN is the same on the vehicle and the title.

The meeting was adjourned at 3:15 p.m.


Rex Crowell, Chairman

GUEST LIST

COMMITTEE: House Transportation

DATE: March 23, 1983

PLEASE PRINT

NAME	ADDRESS	COMPANY/ORGANIZATION
Ed De Soignie	Topeka	KBOV
Tom Whitaker	Topeka	Ks Motor Carriers Assn
M. C. Germain	Topeka	Ks Railroad Association
BRYAN WHITEHEAD	KEK	BRAC
Leroy Jones	Overland Park	B. L. E.
Ron Calbert	NEWTON	UJW
Jack M. Glothlin	Pittsburg, Ks	UJW
BILL GREEN	STATE OFF. BLDG.	STATE COMP. COMM.
Wlane Huber	Lawrence	UDK
Mary Dilunel	Topeka	KMHEI
MERLE HILL	TOPEKA	Ks. GOOD ROADS ASSN.
Corey Brunner	Hillsboro	USD 410 ^{8th grade} middle school
Stuart Funk	Hillsboro	
Reck hower	"	
Leane Schottak	"	
Sheryl Hoering	Hillsboro Ks.	
Jeff Krocker	"	
Lois Lorenz	Hillsboro Ks	
Pat Baird	"	
Kim Dies	"	
Tracey Calam	"	
Anita Sommerfeld	Hillsboro, Ks.	
Donna Sommerfeld	"	

ATTACHMENT 1



KANSAS MANUFACTURED HOUSING INSTITUTE
100 East Ninth Street • Suite 205 • Topeka, Kansas 66612 • (913) 357-5256

Testimony before House Transportation Committee, 3/23/83

SCR 1616, HCR 5021 (movement of manufactured homes on Kansas highways)

Margie Tidwell, Executive Director of the Kansas Manufactured Housing Institute

The Kansas Manufactured Housing Institute is a trade association comprising membership from all facets of the manufactured housing industry, i.e. manufacturers, dealers, suppliers, park owners, developers, financial and insurance companies and transporters.

In the event some of you may not be aware of the transition taking place in housing in general and in manufactured housing in particular--in all parts of the country--let me get in a brief background explanation.

According to President Reagan's blue ribbon housing commission's report issued in April, 1982, it will be only a short time until nearly 9 out of 10 people in this country will be priced out of the conventional housing market (the "site-built" home). In 1982, approximately 20% of all new housing purchased in Kansas was manufactured or "site-delivered" and in 1983 it is expected that the figure will approach 30%.

Manufactured housing (as of August, 1982, all reference to "mobile" in HUD regulations was changed to "manufactured") can be produced at less cost than the site built home because it utilizes a controlled, assembly line approach to manufacturing. It is built to either a HUD code or local building standards, is towed or hauled to its site, depending on whether it is "mobile" or "modular" and most of it is never moved again. I have provided you with some additional information on recent developments in manufactured housing which will show you that subdivision developers are finding that the manufactured house fits the needs of many communities and there will be more and more demand for the product for this use.

I give you this brief background information so that you will be aware that we are in need of permission to move 16-foot wide homes on Kansas highways for the purpose of getting homes from factories to sites--not so that people can hitch up to their home and pull it from location to location. The days of the "trailer house" are well behind us!

The manufactured housing industry is an important segment of the Kansas economy. Already, at least 20% of all new housing purchased in Kansas is manufactured housing. That figure will increase as the more affordable, more economically-built, manufactured house becomes the only way for more and more Kansans to realize their dream of home ownership. Additionally, a large amount of our product will be exported to surrounding states. This industry has an opportunity for growth in Kansas and certainly economic growth is imperative if we are to provide for the needs of our citizens without increasing the present tax burdens.

Within the State of Kansas, there are now twelve KMHI member plants whose total sales in 1981 amounted to approximately \$106,500,000. These plants anticipated an increase in 1982 of approximately \$12 million. Total production in Kansas in 1982 was approximately 9,600 units. These plants currently employ about 1467 persons. We hope to see this figure increase rather than decrease. As many of you are probably aware, there was a time not so long ago when there were many more such manufacturers in Kansas. Several have now relocated in other states and we hope this will not be the case for others.

According to the National Conference of States on Building Codes and Standards, Kansas now ranks 8th in the United States in manufactured housing production. The totals for the top nine states for the first eleven months of 1982 are attached to the information which I have provided for you.

Several of our Kansas plants are prepared to increase not only production but their employment, by at least 20 to 30 people, if they are allowed to move 16-foot wide homes within and from the state. There is attached to your information a list of the Kansas manufacturers, with locations. I'm sure a check with the local Chamber of Commerce in those locations would indicate their desirability in the community.

Because of the large number of manufacturers in Kansas, I might add that we also have a large number of suppliers who contribute quite considerably to the Kansas economic climate.

In addition to these in-state manufacturers, KMHI has another 12 out-of-state manufacturer members who ship homes to our dealer members within the state of Kansas, further increasing the manufactured housing industry's impact on the Kansas economy.

The Kansas manufactured housing industry is proud of its record of safety on Kansas highways and we know that this record is due in part to the careful administration of the Special Permit Division of the Department of Transportation. We want to continue that record and would not suggest any changes which we feel would create a safety hazard. Additionally, we certainly want to accept responsibility for our fair share of the costs of construction and maintenance of roadways since good roads are necessary to us in transporting our product.

The quality and permanency which have now been achieved in manufactured housing have created a demand for larger factory-constructed homes and in our neighboring states of Nebraska, Colorado, Wyoming, New Mexico, South Dakota and Iowa, it is possible to move 16-foot wide homes from factory to site. Additionally, Minnesota and Wisconsin now allow such movement and Oklahoma is expected to make provisions for this in the very near future.

Of interest here might be the fact that Nebraska has allowed movement of 16-foot wide homes since August of 1979 and a recent report by the highway patrol there indicates no increase in the number of accidents involving manufactured homes since that time.

Unfortunately, this flexibility in surrounding states has added to the already "slowing" effect of the current economic recession on our Kansas manufacturers. Stated quite simply, we are losing out on sales in other states where 16-foot wide homes can be produced and transported and we are prohibiting the Kansas homebuyer from choosing this wider, energy-efficient home.

We have expressed to the Department of Transportation our willingness to work with them in this endeavor and to continue to accept responsibility for safety on the roads and highways of the state. We believe that the benefits to the Kansas economy and the possible detrimental affect if nothing is done, dictate that immediate action should begin to provide for the issuance of special permits to allow the movement of 16-foot wide manufactured homes, when necessary, in and through the State of Kansas.

There are instances when special permission is given to persons in other industries, i.e. agriculture, oil/gas, etc. for moving out-size, odd-shaped loads on the roadways and, of course, "stick-built" homes which are sometimes moved from one location to another. We believe that our contribution to the Kansas economy merits similar consideration for wider manufactured homes. We realize that often such movement must be considered on a case by case basis and that such movement must sometimes be restricted to specific roadways, but we believe that to be the philosophy behind the existence of the Special Permit Section--to facilitate and regulate special movement, rather than to strictly prohibit it.

As stated earlier, the manufactured housing industry is an important segment of the Kansas economy with the potential for growth as products improve, attitudes change and economics dictate that manufactured housing is the only affordable housing for a growing segment of our population.

We urge that the rules and regulations be altered to allow for the issuance of permits for the movement of 16-foot wide manufactured homes in our state, so that the Kansas economy will not lose out to surrounding states in this growing area of construction.

According to NCS/BCS (National Conference of States/Building Codes and Standards), Kansas ranked 8th in the United States in manufactured housing production in 1982. The following eleven month totals give a breakdown on the top nine states:

Texas	38,200
Georgia	31,700
Indiana	18,500
Alabama	17,800
North Carolina	17,300
Florida	17,000
Pennsylvania	10,000
Kansas	9,200
California	8,400

Kansas Manufacturers

BellaVista Homes
Russell, Kansas

Schult Homes Corporation
Plainville, KS

Commodore Home Systems, Inc.
Ottawa, Kansas

Skyline Corporation
Halstead, KS

DMH Company
Hutchinson, Kansas

Skyline Corporation
Arkansas City, KS

DMH Company
Newton, KS

Windsor Mobile Homes
Newton, KS

Guerdon Industries
Manhattan, KS

KIT Manufacturing Company
McPherson, KS

Liberty Homes, Inc.
Yoder, KS

Marlette Homes
Great Bend, KS

MANUFACTURED HOUSING QUARTERLY

FALL 1982

Land Use, Financing and Trends in Affordable Housing

Manufactured Homes Highlight National Affordable Housing Demonstration Project and Symposium

"The New American Neighborhood," a model manufactured housing community that has been designated an Affordable Housing Demonstration Project by the U.S. Department of Housing and Urban Development (HUD), is the highlight of a national symposium on affordable housing being held November 8-9, 1982 in Elkhart County, Indiana.

During the symposium, government officials and representatives from all sectors of the housing industry will investigate innovative strategies for increasing the availability and

attainability of affordable manufactured houses.

This two-day symposium is the final phase of the three-part Affordable Housing Project that began September 2nd with a cost reduction seminar conducted in Elkhart County by the National Association of Counties (NACo), a co-sponsor of the program. Senator Richard Lugar, Chairman of the Senate Housing Subcommittee, and Congressman John Hiler each spoke during the seminar that featured housing experts from across the nation.

Focus on bringing conventional and manufactured housing elements together

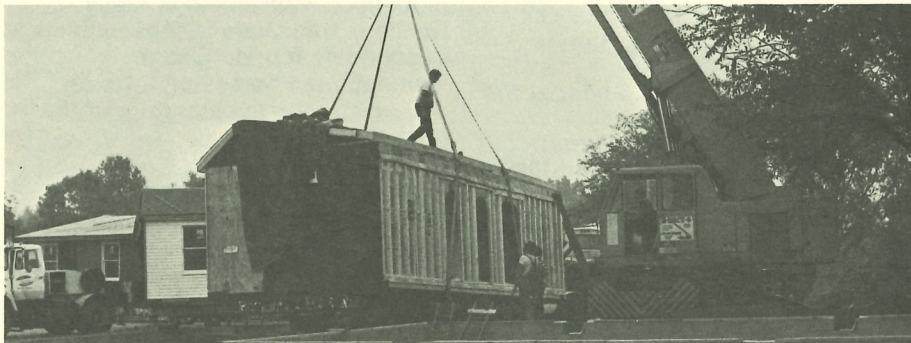
Observing that this will be the first time they will be using houses priced lower initially than conventional (site-built) houses, HUD Under Secretary Donald I. Hovde, keynote speaker on the first day of the Symposium, defined the primary purpose of the program:

"In this project we have the opportunity to bring together the features of both conventional and manufactured housing to produce affordable housing which reflects the strengths and talents of each sector of the industry."

The Symposium includes seminars on the following topics:

- What is manufactured housing?
- The constantly improving image of manufactured housing
- The marriage of conventional-home builders and manufactured-home builders
- The profit potential of manufactured housing for the small builder
- Manufactured housing as the answer to America's homeownership dilemma
- Local regulations and their affect on manufactured housing
- Innovative ways to finance manufactured housing
- Site development for the manufactured home neighborhood

Continued on page 3



A crane lifts one section of a manufactured home onto a permanent foundation at one of the HUD/Elkhart County Affordable Housing Demonstration Project sites.

MH HUD Codes Actually Exceed Site-Built BOCA Codes

In his recently-published book, "Manufactured Homes: Making Sense of a Housing Opportunity," Dr. Thomas E. Nutt-Powell of the Harvard-MIT Joint Center for Urban Studies compares these two basic building codes on a point-for-point basis. (See Page 5 of this issue.)

The results may startle those people who cling to the belief that HUD-code manufactured housing is somehow inferior to BOCA-code site-built housing.

Of the 32 structural design requirements defined, the HUD code was MORE stringent in five factors, less stringent in just two, and otherwise the same.

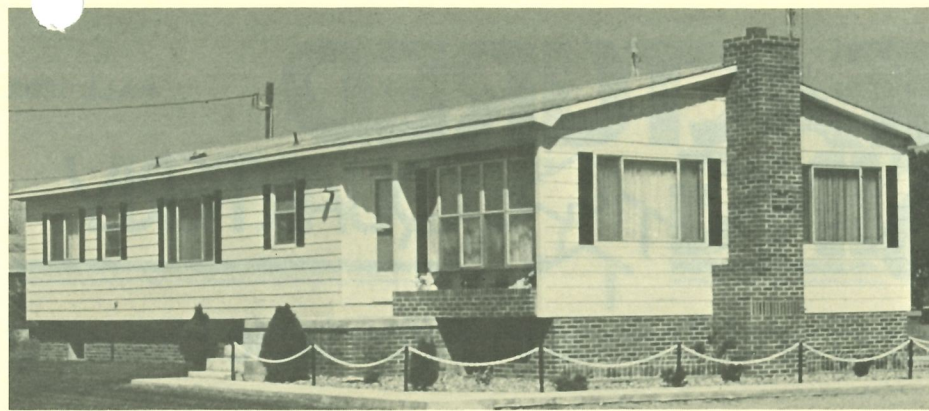
Dr. Nutt-Powell cautions that all

codes are useful only in determining that the structure is "decent, safe, and sanitary."

But, he adds, this kind of analysis should make it clear that manufactured homes meet or exceed standards placed upon site-built houses, and that they have the opportunity, because of factory design, engineering and assembly technology, to move ahead in terms of quality and value. Awareness of this by local government officials, he hopes, will expedite the removal of archaic restrictions that still obstruct the location of affordable manufactured homes in desirable communities.

In this issue of MHQ

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- Mortgage Revenue Bonds, P3
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A multi-section manufactured home placed on a basement/permanent foundation.

“Backyard” manufactured housing for extended family living

Australians, with their unique gift for uninhibited expression, call them “granny flats” . . . low-cost, compact, factory-built houses for elderly couples or individuals to be located in their adult children’s back yard.

Here they were renamed ECHO houses — Elder Cottage Housing Opportunities — by Leo Baldwin, Housing Coordinator for the American Association of Retired Persons, both in deference to “gramps” and to suggest that the new dwelling unit is an echo of the older house.

By whatever name, this concept shows how manufactured housing can meet another critical family need. . . how to care for elderly people within the family structure but without impairing their independence and sense of self-worth or that of their children.

Since the plan began in 1974 in the Australian state of Victoria, hundreds of “granny flats” or ECHO houses have been installed and the demand far exceeds the supply, says Australian planning official Barry W. Cooper. In this country the concept has taken root in several areas, most notably in Lancaster County, Pennsylvania, and Rockingham County, North Carolina.

Although far apart, both are rural areas with a strong sense of the “extended” family. The typical elder cottage, such as those constructed by Coastal Colony Corporation, has 500 to 700 square feet with one or two bedrooms and bath, a modern kitchen — especially important for these people, says Ed Guion, President of Coastal Colony — living/dining room, and a separate utility room.

The cost for such a house runs well under \$20,000 and can be produced for below \$10,000. . . in any event far less than adding a wing onto the older house. . . and provides what George W. Wynne of the Council of International Urban Liaison terms “living intimately at a distance.”

The “temporary” solution to the usual zoning problems

As one might expect the major obstacle confronting ECHO houses is local residential zoning. Innovative officials are sidestepping this obstacle by defining ECHO units as “temporary.”

“We had dozens of these houses in place before we even heard of granny flats,” admits J. Michael Gurnee, Planning Director for Rockingham County. “We just changed our own ordinances to conform to what was already happening.”

The primary stipulation, Gurnee says, is that families show that a hardship situation exists, and that the backyard unit will be used by a member of the family. The permit must be renewed every year but the interpretation of “hardship” can extend to include a non-elderly relative such as a divorced daughter with a child, or the married son who just lost his job.

“In such cases they can stay in the house until things improve,” Gurnee points out. “The adults can look for work knowing they have family on hand to take care of the kids. This has the added benefit of bringing the extended family closer together.”

Expanding the concept with MH technology

Patrick H. Hare, a Washington-based planner, sees further uses.

“Part of today’s housing crisis results from under-use of existing houses. The manufacturers can supply all kinds of compact models with special features that will appeal to even those elders able to afford alternatives elsewhere.

“This eliminates the burden of caring for too much house, gives them more time for their own pursuits, and makes space available for growing families. Besides, the younger family is probably better able to maintain the property which benefits everyone, including the community.”

Basements for “mobile” homes?

Certainly, says Larry Higgins, a manufactured home retailer in Allentown, Pennsylvania. More than 90% of the multi-section models and an increasing number of single-section models sold by Higgins are installed with full basements on permanent foundations.

“We’ve been providing basements for years,” says Higgins, the owner of Love Homes. “In our region we have to excavate below the frostline anyway for foundations which amounts to about eight courses of concrete blocks. Since it takes only eleven for a basement, it makes sense to go all the way.”

Higgins says that the added cost for a basement runs about \$5 per square foot which amounts to \$8,000 to \$10,000 for a manufactured house of 1,400 to 1,800 square feet. These houses are delivered to the lot or subdivision with three bedrooms and two baths, in most cases, so the extra space below becomes another bedroom with bath, plus a recreation or family room. . . or even a garage where the terrain permits.

Martin Gilchrist of Urban R & D Corporation in Bethlehem, Pennsylvania agrees that this practice is widespread in many northern areas, and that basements or complete foundations in manufactured homes oftentimes determines the tax structure of the property.

“It’s hard to classify a manufactured home as personal property when it’s permanently sited on a foundation or basement like any other kind of house. As real property the house accrues in value with the neighborhood and, since it costs less to begin with, may gain more in terms of percent of base cost,” Gilchrist added.

MANUFACTURED HOUSING QUARTERLY

Land Use, Financing and Trends in Affordable Housing

MANUFACTURED HOUSING QUARTERLY is published four times a year by the Manufactured Housing Institute (MHI), a non-profit national organization representing manufactured home builders and their supplier companies.

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MHI Vice Chairman—Joseph J. Morris

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The New American NEIGHBORHOOD™

Affordable Housing Demonstration Project and Symposium

From Page 1

Joining Under Secretary Hovde as speakers at the Symposium will be such nationally known government officials and housing experts as I. Donald Turner, Director of the California Department of Housing and Community Development; Jerry C. Connors, President of the Manufactured Housing Institute; John Hiler, Congressman from Indiana; Dr. Thomas Nutt-Powell, author of “Manufactured Homes: Making Sense of a Housing Opportunity;” and Holt E. Blomgren, President of the National Manufactured Housing Federation.

Continuous tours of “The New American Neighborhood” manufactured home model community will be conducted throughout the two-day event. HUD plans a detailed analysis of the model community over a two-month period with the final data to be discussed at the Symposium. They will also continue to monitor the project for several years to determine the life cycle costs of the homes.

The local government role

The basic concept of the project is to demonstrate how local governments can work with the industry to boost home affordability and, thus, attainability. This is particularly important for the vast majority of families priced out of homeownership now that the median site-built house has reached the \$90,000+ level.

The Elkhart County government has already waived a number of rules and regulations to allow these homes to be located in two central sites of 10 to 15 houses each, as well as on other sites scattered throughout the county. In addition, costs were lowered still further by reducing lot sizes, experimenting with “zero lot lines,” and incorporating innovative new home designs.

Placed on permanent foundations in fully landscaped settings, these modern “mobile/manufactured homes” are being marketed as

conventional real estate with corresponding long term mortgage financing.

“... virtually indistinguishable...”

MHI President Jerry C. Connors said that the Elkhart County HUD Demonstration Project clearly shows that manufactured housing has “come of age.”

“This landmark affordable housing demonstration proves that the American ideal of an attractive, durable, and safe single-family home is not dead,” Connors added. “That ideal is very much alive and is embodied in today’s affordable mobile/manufactured home.”

Under Secretary Hovde makes the important point that manufacturers can supply homes that are affordable today and more valuable in the future.

“When manufactured housing is well designed and placed on carefully planned and landscaped sites it is virtually indistinguishable from conventional site-built housing,” he said. “This type of housing will be an important addition to the joint efforts of HUD, the building industry, and communities across the land in bringing down the cost of home-ownership.”

The New American Neighborhood and the Affordable Housing Symposium are being co-sponsored by the Indiana Department of Commerce, the National Association of Home Builders, the Manufactured Housing Institute, the International City Management Association, the Indiana Manufactured Housing Association, Elkhart County, the National Association of Counties, and HUD.

MHI SALES SUMMARY

Through the first eight months of 1982, manufacturers shipped 162,262 homes, 4% fewer than in the same period last year. August sales showed an upsurge — just 1% behind August 1981 — and, with the lowering of interest rates, industry officials expect overall 1982 MH sales to match or even exceed those of 1981.

Mortgage Revenue Bonds Provide New Source of MH Financing

Arkansas and Colorado are the latest states to announce that HUD-code manufactured homes are now eligible for financing under their single-family home mortgage revenue bond programs. These bond issues apply to manufactured homes sold in conjunction with land, and that meet the guidelines set by the Federal National Mortgage Association in its manufactured housing secondary market program instituted last year.

“We see three important benefits to be derived from this action,” says Lane Kidd, Executive Director of the Arkansas Manufactured Housing Association. “First, of course, is that manufactured houses will have parity with conventional houses in this and future state housing programs.

“Second, this will make it clear to lending institutions that our houses provide the consumer with quality long-term housing that is worthy of the same financing considerations always given site-built housing.

“And, third, there are no artificial restrictions placed on manufactured housing participation. 30-year mortgages will be available for manufactured homes on resident-owned land at 12-7/8% interest, with down payments as low as 5%.”

LeMoyné Brown, Executive Director of the Colorado Manufactured Housing Association, points out that manufactured homes with land may be financed up to \$72,000 at 12-3/4% on GEM (Graduated Equity Mortgages) up to 30 years, with a possible pay-off in 17 years. Buy-downs are permitted to reduce interest rates from the 12-3/4% starting level to 9-3/4%.

“It’s worth emphasizing,” Brown says, “that manufactured houses were included without any percentage limitation in this \$66 million bond issue, and there was NO adverse impact on the bond rating.

“In Alabama we were limited to 10% participation. . . this was about five years ago. . . but now all artificial restrictions have been removed,” reports Fred Jones, Executive Director of the Alabama Manufactured Housing Association.

All three MH officials agree that this will encourage people unfamiliar but impressed with manufactured homes. “If the state government accepts them financially,” says Kidd, “then they must be as good a value as they seem to be.”

Manufactured housing subdivisions to be a major factor, financial executives say

"Consider what happens when people check out a typical site-built subdivision with houses priced at \$80,000 or more and then see a manufactured housing subdivision nearby with comparable houses selling for about \$50,000. . . and with exactly the same financing package!"



A good example of the type of manufactured home, shown here with add-on garage, that is being sold today in manufactured housing subdivisions all around the country.

John Courson, President of Fort Wayne Mortgage Co. is speaking about a situation he sees occurring even now, especially in the south and midwest.

"We now run these manufactured housing loans through our regular single-family home mortgage division, offering 30-year permanent loans and even adjustable rates. These people get everything — the note, mortgage documents, appraisal, and title insurance just like any other kind of real estate transaction.

"Of course, the bulk of our business is still home-only loans averaging \$18,000 to \$20,000 for 15 years, but we see our company's future tied into subdivisions where the market potential is greatest."

Other mortgage loan executives interviewed recently by MHQ agreed that the manufactured housing subdivision "revolution" is inevitable and necessary, but expressed caution as to *when* it will occur, citing bureaucratic and prejudicial barriers. They reported on different kinds of buyers now being attracted to these houses as evidence of changing perceptions.

"We're talking to some people in their 30's and 40's who are normally in the traditional (site-built) residential market. They find they've been priced out of that market, maybe for good, and now are looking around for alternatives," says Phillip H. McCain, Executive Vice President of Kensington Mortgage & Finance, the "mobile home" subsidiary of Mortgage Associates in Milwaukee, Wisconsin.

"We're also getting a number of middle-aged people who use the equity in their present house to buy land and a manufactured house, usually near where they have been living. They see this as a good time. . . perhaps their last chance. . . to unload a bigger house at a profit and move into something more practical," McCain said.

Although McCain is confident that zoning changes are taking place due to pressure from all sides, he feels the widespread development of MH subdivisions, however inevitable and essential, will take another year or so.

"It takes a lot of muscle to bring a manufactured housing subdivision into being, and very few developers have that kind of muscle right now. However, about half of our clients are now buying manufactured homes to place on their own land as real estate, so there's no doubt about a growing acceptance of their quality and value."

Roger L. Roode, President of Foremost Financial Service Corporation, expresses this potential in a different way.

"The market is expanding from both ends of the buyer spectrum. As the single-section models provide greater living space and amenities, more young people see them as true family homes from which they can up-scale later on.

"As Phil McCain said, people in their latter forties and fifties are coming into the market for houses to be placed on their own property. This isn't the retirement market as such, although this may be what some of them are thinking about.

"But there's still that massive void in the middle of the spectrum," Roode adds, "between the starter-home family and the empty nester. The manufactured housing

subdivision is the answer, but it will take time, and progress will be sporadic."

Donald G. Shirk, President of Shelter America Corporation in Colorado, sees 1983 as the turning point.

"It takes at least two years to break through the local bureaucratic logjam," Shirk noted.

"Next year I think you'll

see many more manufactured housing subdivisions starting-up and from there it will spread fast.

"What some developers do now is show designs for their proposed subdivisions without telling anyone they're 'manufactured.' Once they get a few models in place in an attractive setting they figure their appearance and quality will eliminate any 'factory built' prejudices.

The Site-Builder's Options and Opportunities

Courson summarizes what he sees as the only options now open to the conventional builder or developer:

"Since he can't sell his usual product, he can try to recapture a share of the overall market by offering a smaller house with fewer frills. This has to be self-defeating because he'll end up trying to sell something smaller than the comparable manufactured house for roughly the same price. He can quit the mass market and concentrate on the upper-income buyer still able to afford his product. Obviously, this is already a very small market which is likely to shrink still further.

"Or, he can team up with the manufacturer to provide what most people can afford. . . those in that massive void Roger Roode just mentioned. At least this will keep him in business and provide work for his crews since he'll be doing everything else EXCEPT building the actual house."

Jack Gallant, Vice President of Engel Mortgage Company of Birmingham, Alabama, points out the financial advantages to the builder or developer.

"It will mean less of his money invested for a shorter period of time. Because it takes only a few weeks to manufacture and deliver a complete house, he can turn his investment around quickly and stay liquid. He only needs to invest in a few models. . . maybe even then with help from the manufacturer. . . and can avoid material and labor costs required to start other houses that can't be recovered for some time, if ever!"

MH loans more profitable?

Generally they are, these financial executives concur, because right now manufactured home loans involve higher interest rates and service fees, and lower incidences of delinquency and foreclosure (about 1/3 that of site-built home loans, according to McCain). However, as the manufactured house edges ever closer to the site-built house in other ways, the same is happening to financing affairs.

"This is a great opportunity for the mortgage lender, but he has to know what he's doing," cautions Shirk. "We're in a very volatile transition stage and the mortgage lender coming into the market should familiarize himself thoroughly in all aspects of this business, especially with the government programs involved."

Comparison of Construction Standards: HUD MH Code vs BOCA Single-Family Dwelling Code (1978)

Structural Design Requirements (Pennsylvania Zone)	BOCA Code	HUD Code
Live Loads (Minimum)		
Wind load	Horizontal, 10 psf.	MORE (Horizontal, 15 psf.)
Roof load	Snow/Live, 20 psf.	Same
Floor distributed load	Live, 40 psf.	Same
Load Deflections (Maximum)		
Floors	Unplastered, 1/240 span.	Same
Roof	Unplastered, 1/180 span.	Same
Windstorm Protection		
Sliding and overturning	Standard methods.	N/A (Designed provisions for support and anchoring.)
Resistance to weather	Exterior covering materials and construction duly tested for resistance to elements and use.	Same
Structural Tests	Assemblies not subject to engineering design are tested.	Same
Fire Safety		
Interior finish	Flame spread rating not exceeding 200.	Same
Furnace, water heater and cooking range areas	No special provisions for fire protection.	MORE (Special protection with gypsum/asbestos/sheet metal.)
Smoke detection	1 smoke detector in each sleeping area.	Same
Exit Facilities (Minimum)		
Exterior door	1	MORE (2)
Egress	1 in every bedroom.	Same
Space Planning (Minimum Requirements)		
Overall floor area	Not specified.	Same
Sizes of rooms	Living room, 150 sq ft; Bedrooms, 70 sq ft	Same
Ceiling height	7½ ft	LESS (7 ft)
Hallways	36 in	LESS (28 in)
Light and Ventilation (Minimum)		
Glazed area	8%	Same
Unobstructed area	4%	Same
Mechanical ventilation	Habitable, 2 air change/hr.; Bath, 5 air change/hr.	Same
Thermal Protection	Equipment and insulation to provide 70°F inside in winter.	Same
Plumbing		
Material	Nationally accepted standards	Same
Construction and system	Accepted methods.	Same
Tests and inspections	Water system, drainage and vent system, and fixtures are tested.	Same
Electrical		
Material	Acceptable under NEC.	Same
Construction and system	NEC.	Same
Electrical tests	NEC.	Same
Transportation	N/A.	N/A (Designed to fully withstand transportation shocks and vibrations.)
Design Evaluations	Site-built residences not necessarily designed and checked by professionals.	MORE (Designed by professional engineers/architects and checked by independent professionals.)
Inspections During Construction	Local inspectors	MORE (Inspected by independent inspectors and public officials.)

SOURCE: GOEL, Yash P. 1978. Report to Commonwealth of Pennsylvania, Dept. of Community Affairs, Bureau of Housing and Development, Division of Industrialized and Mobile Housing.

A SPECIAL MHQ INTERVIEW WITH SENATOR RICHARD G. LUGAR

Q *Senator Lugar, in the last session you introduced housing stimulus legislation to help get the housing industry going again. Do you anticipate reintroducing such a stimulus bill in the 98th Congress?*

A I introduced my housing stimulus bill in response to the sharp downturn in the economy and the accompanying increase in unemployment. It was a bill that would certainly have stimulated housing but it was offered because of the 750,000 people it would put back to work. I did not intend the program to become the basis for a permanent or long term federal subsidy of home purchases by middle income families. If the economic conditions warrant a short but strong jolt then I may reintroduce the bill, otherwise I will not reintroduce the legislation.

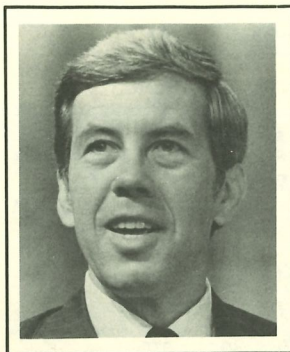
Q *What do you see as the major housing issues in the 98th Congress?*

A Next year will be a year to step back and begin the process of re-evaluating the role of the Federal government in housing. We have finally moved our urban grants programs to the state and local level and have streamlined those programs. Now we must devote the same intensity of effort that developed those strong programs to the questions facing housing. Should the Federal government play an active part in home financing? What role should FHA play in the mortgage market? How can we help those who do not own homes achieve homeownership? What level of assistance is appropriate for subsidized housing? Should we subsidize the construction of new housing for the poor? What role should state and local governments play in the assisted housing programs?

Beyond these more global issues I will pursue elements of this year's housing bill if it does not become law. Among the more important items: indexing of the Title I loan limits, extending Title I loan terms to 30 years, and of course, authorizing the regular FHA program to insure manufactured home loans.

Q *Some in the administration have said that they feel too much of the available pool of American capital was going towards housing instead of being used to help rebuild the nation's sagging industrial base. What do you think about this claim? Should housing receive "special treatment" in the nation's economic scheme?*

A I acknowledge that some in this Administration have said that too much capital has gone to housing. I don't know whether it has been too much or not. But I do know that the 78% homeownership rate of the United States is the highest in the world and in my opinion one of the principal reasons for this country's stability and economic health. For sociological, economic, and psychological reasons homeownership is and should be a critical and fundamental part of our nation.



Senator Richard G. Lugar (R-IN) is widely acclaimed as a national housing expert. In his capacity as Chairman of the Senate Housing Subcommittee, Lugar has been a strong proponent for the manufactured home as an important national housing resource. Previous to his 1976 election to the U.S. Senate, Senator Lugar was the mayor of Indianapolis, Indiana for eight years. He also served as the president of the National League of Cities, and in several other major national governmental assignments.

Nonetheless housing will have to compete in the capital markets for funds. Housing, for as many practical reasons as philosophical reasons, has lost its special source of low cost funds (savings and loan associations). Mortgage money will be available but at rates which are competitive with other long term loans.

Q *The Administration has recommended the curtailment of many of the large housing subsidy programs that grew up over the last few decades. First, to what extent do you see this curtailment becoming reality; and, do you see a role for manufactured housing in reducing the costs of remaining federal subsidy programs?*

A The Administration has not recommended the curtailment of housing subsidy programs. It has instead worked to end the very costly new construction subsidy program. The federal government will continue to assist a growing number of eligible families (we already subsidize 3.3 million families) but we will assist families in existing housing rather than in new housing.

To the extent that manufactured housing offers low cost housing it will obviously be part of these programs. But I do not expect to see any particular emphasis on the use of manufactured housing. As I have always argued, manufactured housing should be treated as housing not as some sort of non-standard housing.

Q *Senator, you have consistently maintained that there has been a "built-in bias" against manufactured*

housing in federal housing policy and programs. Please comment briefly on some of the things that you have done to achieve "parity" for manufactured housing in these areas?

A The long-term bias against manufactured housing at the federal level is slowly being removed. Over the last five years I have offered over 60 amendments to remove discriminatory treatment of manufactured housing within Federal housing law. We are now to a point where HUD policy is at least neutral with regard to manufactured housing and in some cases it actually favors manufactured housing. We are very close to full equity in finance and have advantages in code and procedural issues.

Q *You were instrumental in the Congress' recent amendment to change the legal term "mobile home" to "manufactured home" in federal laws and literature. You were the sponsor of the legislation in the Senate. What is the significance of this major semantic change? Don't you feel that it forced Congress to confront the fact that what we had been calling mobile homes had in fact become a major source of the nation's housing supply?*

A The change of the references in federal law from mobile homes to manufactured housing has had several effects: it has speeded the elimination of the use of the terms *mobile home* and *trailer*, it has recognized the dramatic changes that have taken place in the industry and it has helped improve the public image of the homes. That particular amendment was a small item that will continue to pay dividends long into the future.

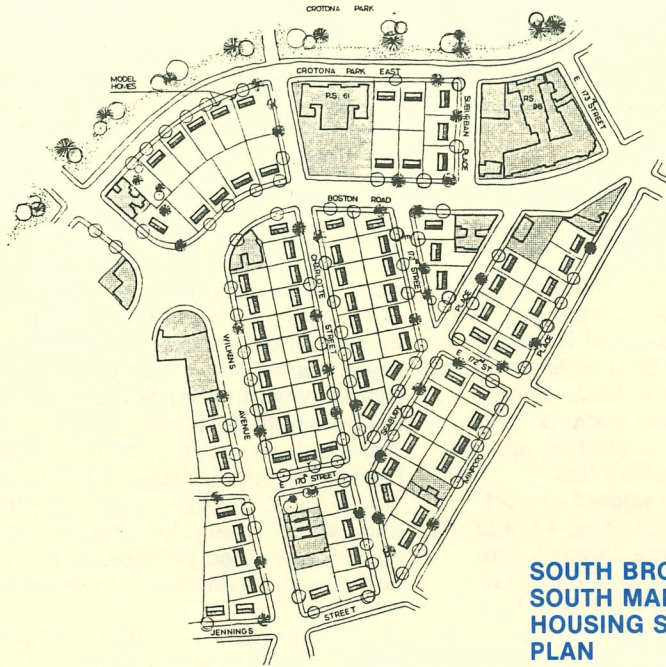
Q *The recently released final report of the President's Housing Commission called for the elimination of all barriers that restrict manufacturing housing in terms of zoning/land-use regulations and financing. Do you agree with those recommendations and what do you foresee as their "real-world" effect?*

A The President's Housing Commission is only the latest and best report to cite the advantages of manufactured housing. The most significant problem facing the industry is wrong-headed and discriminatory zoning. Such policies have lead to a serious lack of available land for development and exacerbated the public's mistaken notions about manufactured housing. We need to persuade local officials that more even-handed regulations are in the best interests of their communities. We need to persuade them that manufactured housing is not going to reduce land-values, over-crowd the schools and hurt the image of their community. It is important to get zoning and building code changes but only through example and reason. I do not think the federal government should preempt local land use regulations.

MANUFACTURED HOUSING QUARTERLY

WINTER 1983

Land Use, Financing and Trends in Affordable Housing



SOUTH BRONX—CROTONA SOUTH MANUFACTURED HOUSING SUBDIVISION SITE PLAN

Manufactured Homes Capture Over One-Third of U.S. Housing Market

Last year more than one-third of all new single-family homes sold in the U.S. were built inside modern factories and then transported to the home site.

In a year when site-built home sales dropped to their lowest level in nearly two decades, sales of new manufactured homes held nearly even in 1982. Manufacturers shipped a total of 238,808 homes last year, a less than 1 percent decrease from the 240,313 manufactured homes sold during 1981.

By contrast, some 413,000 new site-built houses were sold in 1982, a 5.3 percent decline from the previous year. If you add the site-built and manufactured housing sales totals together, you get 651,808 new single-family homes sold in America last year. Manufactured homes accounted for 36.6 percent of that total, or better than one-third.

Contributing to the relatively strong manufactured home sales picture for 1982 were two consecutive months of heavy sales increases. In December, the manufactured housing industry sold some 16,000 homes throughout the nation, a 13 percent boost over the same month a year ago. During November manufacturers registered a 20 percent sales increase from the identical month a year ago.

MH Inner-City Subdivision Opens in the South Bronx, New York

Within one block of where President Carter in 1977 and candidate Reagan in 1980 stood "appalled" at conditions in that ravaged area of New York City there will be a 90-unit manufactured housing subdivision. It represents innovative new thinking about affordable inner-city housing, and, at prices in the \$50,000 range, perhaps some calculated risks.

The South Bronx Development Organization (SBDO) will install the first two manufactured homes on Charlotte Street across from Crotona Park to serve as models. The firm will follow these with eight more in the same block. If the first ten homes sell—and Ed Logue, SBDO President, is sure they will—the additional eighty homes will be located in a 10-block area to be known as Crotona South.

According to Robert Garcia (D-NY) who represents the Bronx in the U.S. Congress and who serves on the Housing Committee: "In order for us to rebuild the Bronx and increase the

well being of our neighborhoods, we need to provide homeownership opportunities to moderate and middle income hispanic and black families. Manufactured housing is an innovative way to create this opportunity."

"We believe manufactured homes are a sensible answer to expanded homeownership in the South Bronx," says Logue. "If anyone doubts that a market for middle-income housing exists here, I'd remind him that last year we sold 250 brick row houses in this area which ranged in price from \$51,000 to \$61,000. We actually had to turn people away!"

Logue adds that these row houses were developed and sold under the HUD 235 interest-subsidy program which meant that some people couldn't qualify because their incomes were too high.

"Now that this housing subsidy program has been eliminated," he says "the lower initial cost of manufactured homes permits families

Continued on page 3

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- VA Loan Guarantee Program report, P3
- MH INVESTMENT OUTLOOK, P4
- Update of legal, legislative actions by states, P5
- Pictorial recap of Elkhart Affordable Housing Symposium, P6



Typical multi-section manufactured home being installed in the Brookwood subdivision of Grand Junction, Colorado.

MH Subdivisions Topic of SAVINGS & LOAN NEWS Article

With all the talk about "explosive growth" in manufactured housing subdivisions, many of them encouraged by the Federal National Mortgage Association's (FNMA) MH mortgage loan purchase program, SAVINGS & LOAN NEWS wanted to know if THIS would be the year when promise becomes reality. While no conclusions could possibly be reached to so complex a question, a feature article in the February 1983 issue suggests that this will be the first year of many.

Featured is the 110-home project at Grand Junction, Colorado, for which Shelter America Corporation, a subsidiary of Western Federal S&L, provided both construction and permanent financing. Similar projects are opening this spring in Wyoming, Nebraska, New Mexico, Oklahoma, and Texas.

The Grand Junction homes are multi-section models with 1,100 to 1,800 square feet, three or four bedrooms and two baths, and including carport or garage. To satisfy FNMA "marketability" requirements, they all have shingled roofs and natural material exteriors. They are being offered with FNMA-approved 30-year fixed-rate financing for \$54,000 to \$68,000 including land.

Mobile Home Industries, a Florida-based manufactured home builder, is discussed in the article as providing a blend of single-section and multi-section homes for five new subdivisions, including a 500-unit project in the Fort Myers area of Florida. Also mentioned is General Development Corporation (GDV), a City Investing subsidiary, which recently sold the last of its 800 manufactured homes at Fort Malabar, Florida. GDV is now marketing a new 640-home subdivision just north of Melbourne, Fla.

While admitting that these few projects hardly tell a complete story, the article substantiates what Donald G. Shirk, President of Shelter America, is quoted as saying: "In 1983 I think you'll see many more manufactured housing subdivisions starting up, and from there it will spread fast."

John Courson, President of Fort Wayne Mortgage Company, a major midwestern mortgage banking concern, added this personal observation: "We see our company's future tied into the MH subdivision because that's where the market potential is the greatest."

However, the S&L NEWS article notes that few savings institutions are committed to manufactured housing at this time. Several reasons are cited by thrift executives, including an apparent reluctance by these institutions to become involved in new government procedures. Most agree this will change gradually, motivated by the fact that manufactured homes now account for 36.6 percent of all new single-family homes sold in this country...this, the article concludes, before the impact of the MH subdivision trend has even been felt!

Input Needed for Study of MH Zoning Reforms

Urban Research and Development Corporation, a Pennsylvania housing consulting firm, is conducting a study for HUD's Joint Venture for Affordable Housing and would like relevant information from readers of MHQ.

The purpose of the study is to determine how state and/or local government changes in land use and

zoning policy have resulted in manufactured housing developments "as one method of increasing affordable housing opportunities." Or, where such reforms will lead to new homeownership opportunities for middle-income families.

"The idea," says Martin C. Gilchrist, Executive Vice President of URDC, "is to accumulate and summarize specific case histories of cooperation between local government officials and developers or manufacturers which have brought about regulatory changes more favorable to large-scale use of HUD-Code manufactured houses, as in condominium or cooperative projects, clusters, parks, or owner-occupied subdivisions."

The firm is in touch with state governments and manufactured housing state associations, but they really want individual experience at the local level. And with some 50,000 cities, towns, and counties as possible sources, Gilchrist admits they need some voluntary input.

"Ideally, we would like to hear from communities where local officials, presumably with citizen support, have themselves initiated new policies to encourage large-scale use of manufactured housing to meet their housing needs. Usually, it's the other way around, the developer in partnership with the manufacturer having to push for updated policies...and sometimes having to go to court to get them!"

Gilchrist points out that this is a good opportunity for the MH industry and its supporters to contribute to a document that will help promote favorable regulations in other areas of the country and, eventually, everywhere.

The address of Urban Research and Development Corporation is 528 North New Street, Bethlehem, PA 18018. You can reach Marty Gilchrist at 215/865-0701.

MANUFACTURED HOUSING QUARTERLY
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VA Nears \$1 BILLION in MH Loan Guarantees

Since the Veteran's Administration (VA) manufactured home loan guarantee program began in 1971, the VA has approved 62,324 applications amounting to \$963,981,626.

More significantly, reports George Alexander, Staff Assistant for Manufactured Housing at VA headquarters, there has been a steady 10 percent or more growth every year since 1976 when the HUD manufactured housing standards first went into effect. In 1982 the VA approved some 10,000 MH loan applications.

"The program has come along just the way we wanted it to," says Alexander. "We haven't wanted explosive growth, just steady growth on a firm foundation, and this is what we have."

"Explosive growth" inevitable?

There are signals that the pace may be quickening. November, for example, registered a 16 percent increase over November of 1981 and December was a real shocker—up 42 percent from December a year ago.

Whether this does amount to "explosive growth" won't be known for a while, says Alexander, but he points to concurrent and comparable trends in other Federal MH programs.

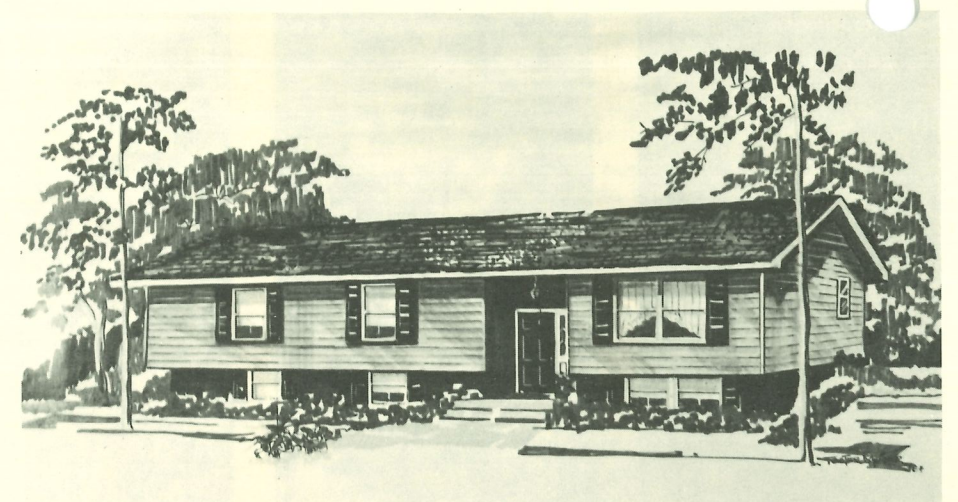
"For one thing," Alexander points out, "active involvement by the Federal government gives new credibility to manufactured housing. This combined with the growing demand for affordable single-family homes probably means we're in for a busy time during the next few years."

Middle income families

Alexander reports that of the 1,278 MH loans guaranteed last September, 946 were for single-section models costing an average of \$18,466 and 332 were for multi-section models averaging \$25,124. Actual loan amounts depend on down payments and whether the house is sited on rented or veteran-owned land, but they averaged between \$19,490 ("Home Only") and \$26,185 ("Home and Land" packages).

Of special interest to Alexander is the fact that the average household income for these veterans was \$21,540 which is very close to the national average for all families. He also expresses satisfaction that 40 percent were 30 years or younger in age, and many were in-service personnel.

"It's evident from these figures that we're helping those younger families who have had no chance of getting into the stick-built market."



Architect's rendering of multi-section manufactured house with basement being installed in the South Bronx.

South Bronx MH Subdivision to Open

continued from page 1

with moderate incomes to afford them without federal subsidies." Peter Bray, SBDO Project Manager for Manufactured Housing, feels this development is unique in several ways, most notably in that it "reverses" the usual in-fill concept.

"Inner city in-fill usually means sticking a few houses in among a greater number of larger, existing structures. With the discontinuation of the HUD Section 8 'Deep Rehab' program, most of the 4- and 5-story multi-family apartment buildings have to be demolished. Only one, or at most two, apartment structures will be left on each block, so we're effectively changing the character of the neighborhood to middle-income single-family homeownership."

It's also important to understand, Bray says, that Crotona South is now abutted by "stable" communities of mixed character.

"We're aiming to bridge the gap, to bring this area up to comparability and extend residential stability throughout the entire section of the South Bronx. Offering people attractive manufactured houses on their own land gives them a sense of involvement...of being an integral part of their own neighborhood. This translates into stability."

The inner-city MH subdivision

The first two houses are typical multi-section models—24 x 48 feet overall providing 1,152 square feet of living space. They include three bedrooms and one and a half bathrooms, plus advanced kitchen designs and cathedral ceilings. With land they are priced at about \$50,000, although the model with the full basement will be a bit more. Fixed-rate 30-year mort-

gages of 12½ percent are made available through the State of New York Mortgage Agency.

Bray tells of one unexpected problem that caused the first manufactured homes to be priced higher than desired.

"We found we had about fifteen feet of rubble left after demolishing an apartment building. Rather than haul it away, we use what we call 'Dynamic Compaction.' A 100-foot crane drops a 6-ton cylinder according to a grid pattern which compacts the rubble so thoroughly the footings and foundations can be poured right on top of it. Doing this for just a couple houses proved expensive, but by the time we get going on several lots at once, the process will cost less so each house can be sold for less."

A public and private sector partnership

SBDO, aided by the Local Initiatives Support Corporation, spearheaded the planning and implementation of this project and the Mid-Bronx Desperadoes, which has carried on its own highly-successful housing rehabilitation program, is co-sponsoring Crotona South. It combines capital from the State Division of Housing and Community Renewal, with mortgage lending from banks operating in conjunction with the State of New York Mortgage Agency.

"Manufactured homes can be an answer in many parts of the city," says Logue. "These homes, however, have an added importance for the South Bronx. Charlotte Street will be transformed from a national symbol of urban decay to an exciting experiment aimed at the housing needs of the inner city."

MH Investment Experts See 'Explosive Growth' ...with Certain Conditions

In its December 3rd issue, the VALUE LINE investment service weekly report featured an overview of the manufactured housing industry's prospects as a whole before offering specific MH stock recommendations (which we cannot include, for obvious reasons). A few quotes speak clearly for themselves, and the VALUE LINE outlook.

"We think manufactured housing will outperform the economy during the year ahead and to 1985-87."

"The manufactured housing industry now ranks 5th out of 93 (industry categories) for the year ahead in market performance."

"We look for explosive growth in manufactured housing over the 3-to-5-year period fueled in part by the marriage of real estate know-how to manufacturing expertise."

Just a few weeks later, in its December 31st year-end review and forecast issue, VALUE LINE again touted industry prospects in more detail.

"In fiscal 1983, we estimate that a recovering economy and a further moderate decline in home mortgage rates will help boost manufactured home shipments nationwide by 10 to 15%. Over the next few years, we think manufactured housing will be increasingly used in subdivisions and be sold at the site like conventionally-built housing. Home-and-land packages now account for only about 5 percent of total shipments. Three to five years from now we expect them to account for 15 to 20 percent. The increasing popularity of manufactured homes could help shipments rise to 425,000 annually by 1985-87."

Two conditional expectations are evident in VALUE LINE's otherwise exuberant evaluations. First, that there will be a "marriage" between conventional and manufactured real estate elements. Second, that the home-and-land package concept does gain acceptance which is necessary before manufactured homes can "be increasingly used in subdivisions."

An "attractive vehicle" to Bob Curran of Merrill, Lynch

This is perhaps an unfortunate colloquialism since the MH industry is still struggling to shed the "vehicular" yoke. However, it's typical of investment jargonese, along with Curran's observations that today the listed MH company stocks are "working off a high base" which suggests there's a "correction coming" after which these stocks will surely be "one leg of the ultimate bull market."

Translated...and with due apologies for poking a bit of fun at one of the investment world's most qualified housing analysts...this means that Curran feels well-disposed towards the intermediate outlook but cautions about temporary setbacks possible in the next few months.

"Many of these stocks have experienced dramatic price rises for several months, starting well ahead of the general market rise of last August," he says. "This means they may be at or close to their near-term peaks and could drop back somewhat in the next two or three months along with the market as a whole."

This, he adds, is a time to hold onto MH stocks in the portfolio, but watch for possible price retrenchment before making any more commitments. (Editor's Note: This cautionary viewpoint held by Curran and many other analysts applies to the time this interview was conducted in early February. When you read this, circumstances may be quite different.)

Curran is bullish on the housing industry as a whole for the next one to three years, citing his belief that the Federal government is now committed to holding down interest rates

as long as it takes to stimulate the economy. He sees manufactured housing riding along with other elements of the housing industry during the coming cyclical upswing, although he's less willing to offer a favorable projection into the latter years of the decade.

"Singular" as well as "cyclical" potential?

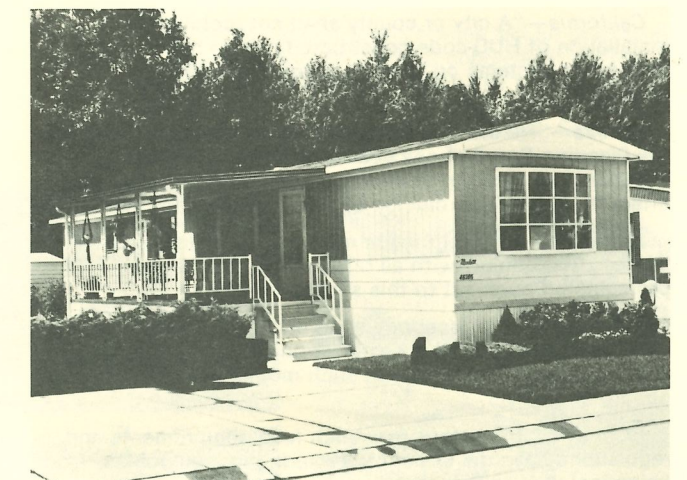
Whether manufactured housing stocks outperform the market, as forecast by VALUE LINE, depends, in Curran's opinion, on the industry itself. Manufacturers, he maintains, must achieve two critical breakthroughs...overcoming the all-too-familiar "image" problem, and adapting to the demands of the marketplace. These achievements are essential before the MH subdivision becomes a widespread reality. He agrees that this area represents the best growth potential for the industry.

Curran draws a parallel with the automobile industry. In trying to meet import competition, Detroit shifted to the compact and then the subcompact only to see the bulk of the middle-income business still going to Japan. Only when Detroit began shifting towards the intermediate model did the American manufacturers make inroads in foreign competition. This, he claims, is because the American car buyer still prefers the space and amenities to which he has long been accustomed. The subcompact market remains, but the greater potential for domestic manufacturers, in his opinion, lies in the "affordable family car" compromise.

This is why he feels the conventional home builder errs in downsizing his product to "subcompact" size which brings him up against the less-expensive single-section manufactured home, and why he feels the housing manufacturer has the opportunity to capitalize on the inherent American desire for an "intermediate" compromise, the "affordable family home."

Only if this happens, he adds, can manufactured housing establish its own singular growth pattern rather than just tag along on the next cyclical upswing.

"The consumer will not come to the door of the manufacturer and insist that he build a larger and better product," Curran cautions. "The consumer takes what's out there, so it's up to the manufacturer to anticipate and adapt."



Typical single-section manufactured home in landscaped subdivision setting.

Montana Court Ruling Highlights 'Comparability' of UBC and HUD Codes

The District Court of Butte-Silver Bow County, Montana recently ruled that manufactured homes built to HUD Manufactured Home Construction and Safety Standards (MHCSS) must be allowed in any single-family residential area within that county.

The case was brought by Harry and Lillian Martz in 1979, challenging an attempt by local officials to stop them from siting their home in a neighborhood zoned for residential use.

County zoning officials claimed that manufactured homes built to Title VI HUD standards are inferior to conventionally constructed homes allowed in residentially-zoned areas and built to the Uniform Building Code (UBC).

The District Court ruled without trial in 1981 that the county zoning ordinance was unconstitutional because it did not provide adequate space for manufactured homes and mobile home parks.

The county appealed the decision to the Montana Supreme Court on the grounds that the HUD code was inferior to the UBC code and manufactured homes, therefore, posed a threat to public health and safety. The Supreme Court sent the case back to the District Court requesting a trial of facts, and a comparison of the HUD and UBC codes.

Based on expert testimony, the Country District Court reaffirmed its earlier decision. Judge Arnold Olson ruled that there is *no distinction* between HUD and UBC codes in terms of public health and safety; therefore, manufactured homes built to the HUD code may not be excluded from residential neighborhoods.

The county has 90 days to appeal again to the Supreme Court. The defendants, along with the Montana Manufactured Housing Association, may request a Supreme Court ruling on the case which would strengthen other court decisions throughout the county and affect similar zoning issues statewide.

What other states are saying about manufactured housing

Vermont—"Municipalities cannot distinguish in their zoning ordinances between housing based on methods of construction...Permits must be issued for all single-family mobile, modular, or prefabricated housing in any zoning district that allows single-family conventional site-built dwellings if they meet the same land-use criteria as the site-built dwelling."

Indiana—"Ordinances may subject dwelling units and lots to identical standards and requirements whether or not the dwelling unit is a manufactured home or some other type of dwelling unit."

California—"A city or county shall not prohibit the installation of HUD-code constructed mobile homes on foundation systems on lots zoned for single-family dwellings."

Kansas—"Neither the Board of County Commissioners nor the Planning Board of any county shall...regulate the occupancy or location of dwelling units in such a way as to affect the arbitrary exclusion of manufactured housing."

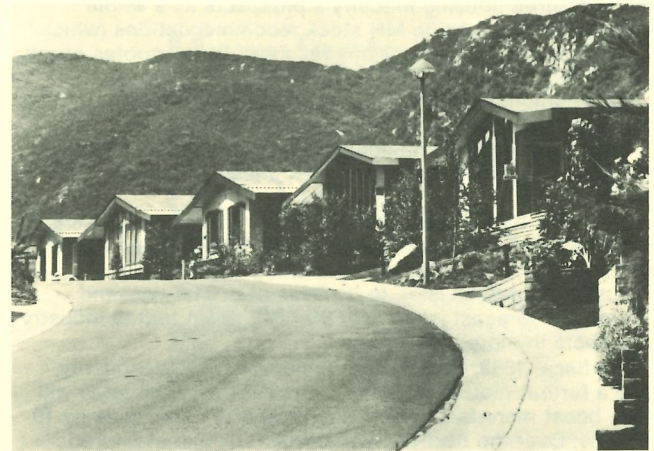
Minnesota—"No regulation may prohibit manufactured homes...that comply with all other zoning ordinances promulgated pursuant to this section."

Nebraska—"...At least one such district in the municipality shall include both land zones for mobile home subdivisions and individually-owned lots in such mobile home subdivisions."

Florida—"...In no case may such local requirements and regulations have the effect of precluding mobile homes...from being installed as permanent residences, and they shall be treated by local governments in the same manner as conventionally constructed dwellings."

New Hampshire—"...the partial or total exclusion of manufactured houses in communities is based on outmoded perceptions as to the safety and quality of manufactured housing, and aesthetic factors. Manufactured housing, when built in conformance with national codes, is almost indistinguishable from conventional, site-built housing."

And now, New Jersey, based on Supreme Court decisions of January 20th, 1983—"As the cost of ordinary housing skyrockets for purchasers and renters, mobile homes become increasingly important as a source of low cost housing. Therefore, subject to the qualifications noted hereafter, we rule that municipalities...must provide zoning for low-cost mobile homes as an affirmative device in their zoning ordinances."



A western style manufactured housing subdivision.

Builders, Developers Attend Manufactured Housing Show

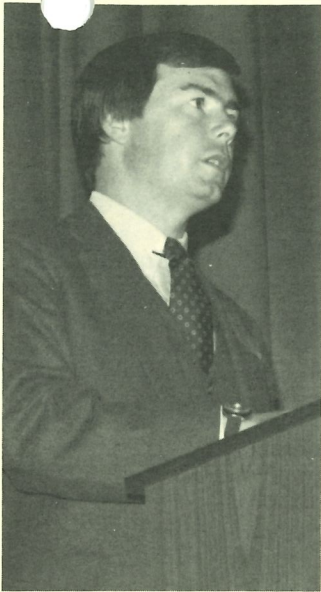
In addition to retailers from 39 states and 12,000 public attendees, nearly 500 "conventional" builders and developers from across the nation showed up to view more than 200 models on display at the Kentucky Fair & Exposition Center.

The Chairman of MHI's National Manufactured Housing Show Committee, Jim Miller, President of Brigadier Industries, explained: "The only way to make housing affordable for the average American family is to utilize the efficient factory home-building technology we already possess," said Miller. "That's why so many site builders are beginning to work with manufactured home builders who can provide them with the products they can sell. With their collaboration we can solve the nation's housing crisis."



A view of some of the thousands of attendees to MHI's 47th National Manufactured Housing Show held recently in Louisville, Kentucky.

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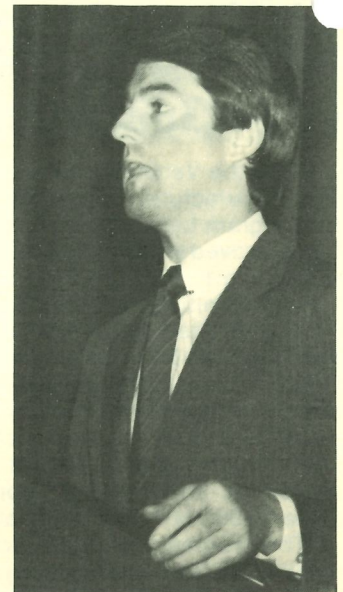
**Jerry C. Connors, President,
Manufactured Housing
Institute**



**I. Donald Turner, Director of
the California Department of
Housing and Urban
Development**



**Keynote Speaker Donald I.
Hovde, Under Secretary of the
Department of Housing and
Urban Development**



**Congressman John Hiler of
Indiana**

National Affordable Housing Demonstration Project Draws Large Crowd

More than 350 government officials, lending executives, planners, and representatives from all sectors of the housing industry converged on Elkhart, Indiana early in November to explore the vast potential of manufactured housing for solving America's housing crisis.

"The New American Neighborhood," a model manufactured housing community designated an Affordable Housing Demonstration Project by the Department of Housing and Urban Development (HUD), highlighted the two-day symposium initiated by Elkhart County and the National Association of Counties (NACo).

The demonstration project encompassed two mini-subdivisions of manufactured homes and one site where manufactured homes were installed among site-built homes. One of the two MH subdivisions featured multi-section models while the other featured some of the latest single-section models. All were installed on permanent foundations, attractively landscaped, and many featured add-on garages, carports, and even "breezeways" which were constructed by a local builder who helped develop the subdivisions.

According to Elkhart County Planning Director Dennis Harney who headed the Demonstration Project and Symposium, the manufactured homes will be sold with land, as real estate. Harney said that local banks have agreed to provide long-term mortgage financing.

HUD Under Secretary Donald I. Hovde, the keynote speaker at the symposium, said: "Manufactured housing functions like real estate, looks like real estate, holds its investment value like real estate, because it is real estate."

"This symposium is to wake up America that you can put a manufactured house next to a stick-built house and you would not know the difference," Hovde said.

Indiana Congressman John Hiler, another symposium speaker, said that manufactured homes would play a "vital role in providing affordable housing for America."

MHI President Jerry C. Connors noted that "discriminatory zoning continues to represent a serious barrier to the healthy growth of the manufactured housing industry." He called for a national reappraisal of housing policy to allow for greater MH use.

Other speakers at the symposium included Indiana Lt. Governor John Mutz, California Housing Director I. Donald Turner, and Dr. Thomas E. Nutt-Powell of the Harvard-MIT Joint Center for Urban Studies.

Stillwater, Oklahoma, announces its own Affordable Housing Demonstration Project

If the Elkhart County Demonstration Project was the first of 12 HUD-sponsored sites planned throughout the nation, Stillwater, Oklahoma is determined to be second. The manufactured Housing Association of Oklahoma (MHAO) announced jointly with HUD and the City of Stillwater an innovative 20-acre MH subdivision targeted to open this June.

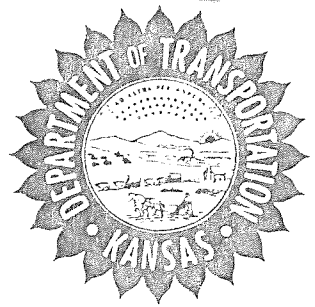
Initially, 15 single-section homes will be placed on standard-sized lots in a typical subdivision setting. The ultimate size of the project will be 85 to 90 homes, a mix of manufactured, modular, and conventional site-built designs.

For more information, call Hal Bassett, Executive Director of MHAO at (405) 521-8470.



KANSAS DEPARTMENT OF TRANSPORTATION

STATE OFFICE BUILDING—TOPEKA, KANSAS 66612



JOHN B. KEMP, Secretary of Transportation

JOHN CARLIN, Governor

MARCH 2, 1983

MEMORANDUM TO: House Transportation Committee

REGARDING: House Concurrent Resolution No. 5021
A concurrent Resolution concerning the movement of mobile homes; modifying Kansas Administrative Regulation 36-1-26, as adopted by the Secretary of Transportation and filed with the Revisor of Statutes on December 1, 1982.

Following the introduction of House Concurrent Resolution No. 5021, I requested our Engineering and Design Division to evaluate all the various aspects of the proposal. I have delayed commenting on the Resolution pending the completion of that evaluation.

The Department has now completed the evaluation. Safety factors, traffic regulations, maintenance of the system, the traveling public, and economic considerations were weighed in the evaluation completed by our Division of Engineering and Design. I concluded that as long as the movement was a permissive movement controlled by the "special permit" function of the Department, adequate control could be maintained to protect the integrity of all factors considered.

I can now state my support for House Concurrent Resolution No. 5021 in its present form, which allows the Department control over the movement of the 16 foot wide mobile homes.

JOHN B. KEMP, P.E.
SECRETARY OF TRANSPORTATION

Attach 5