

MINUTES OF THE SENATE COMMITTEE ON TRANSPORTATION AND UTILITIES

The meeting was called to order by SENATOR ROBERT V. TALKINGTON at
Chairperson

9:00 a.m. a.m./p.m. on Tuesday, February 15, 1983 in room 254-E of the Capitol.

All members were present except:

Senator Rehorn



Committee staff present:

Fred Carman
Hank Avila
Rosalie Black

Conferees appearing before the committee:

SB 169 - Senator Bert Chaney
Steve Montgomery, Dept. of Revenue

SCR 1616 - Senator Roy Ehrlich
Margie Tidwell, Kansas Manufactured Housing
Everett Dumler, Chamber of Commerce, Russell
Ed DeSoignie, Dept. of Transportation
Representative Robert Miller, Russell

The meeting was called to order by Senator Talkington, Chairman, who introduced Senator Bert Chaney to discuss Senate Bill 169.

SENATE BILL 169

Senator Chaney said that the request for legislation of no photo on driver's licenses came from a board of trustee member of the Amish community. It pertains specifically to Amish workers who operate road equipment for counties and must have a driver's license for this type of employment. He added that the substance of the bill is on Page 2, Line 55 through Line 58, which allows a person belonging to a religious organization to sign a statement exempting a picture being taken.

Steve Montgomery indicated that the Department of Revenue is neutral on the bill which would have no fiscal impact for the Department. He told the Committee that current regulation permits a driver's license to be issued which does not contain a colored photograph of the licensee to any person who is outside the state and for whom the Department renews and mails the license. Senate Bill 169 would allow exemption to any person belonging to a religious organization which has a basic objection to having a picture taken. After exemption requirements are met, the Department will enter "valid without photo"

CONTINUATION SHEET

MINUTES OF THE SENATE COMMITTEE ON TRANSPORTATION AND UTILITIES,
room 254-E, Statehouse, at 9:00 a.m. a.m./p.m. on Tuesday, February 15, 1983.

SENATE BILL 169 (continued)

upon the license.

SCR 1616

Senator Ehrlich pointed out that the major change is in Line 32 which strikes the present allowance of 14 feet in width of mobile homes towed on highways and inserts the new figure of 16 feet. He said that a major employer in Russell is an industry plant that manufactures mobile homes which is experiencing a demand for 16 foot wide mobile homes. The manufacturing of this style home would reflect in additional jobs for the Russell community as well as other communities in the state.

Referring to employment problems in Russell, Everett Dumlér mentioned a recent rise in unemployment in Russell County from 1.6% to about 3.5%. Last month, one of Kansas' largest implement dealers ceased operations in the city with a loss of 23 jobs. There was a 9% decrease in sales for Russell County during the past six months. He said that the new regulation would mean more jobs within the Russell area.

Margie Tidwell noted that several states allow movement of 16 foot wide homes from factory to site with no increase in the number of accidents involving manufactured homes. Kansas is losing out on sales in other states where 16 foot wide homes can be produced and transported while current law prohibits the Kansas home buyer from choosing this wider, energy efficient home. (See Attachment 1.)

Representative Miller spoke in support of the act which he said is vital to the economic situation in his area.

Ed DeSoignie stated that the fiscal impact upon DOT of allowing movement of 16 foot wide mobile homes has not been determined. He requested the Committee to defer voting until study findings from other states are available. (See Attachment 2.)

Senator Johnston asked Mr. DeSoignie for DOT's current position for moving 16 foot wide homes. Senator Talkington indicated that Mr. DeSoignie would report

CONTINUATION SHEET

MINUTES OF THE SENATE COMMITTEE ON TRANSPORTATION AND UTILITIES,
room 254-E, Statehouse, at 9:00 a.m. a.m./p.m. on Tuesday, February 15, 19 83

SCR 1616 (continued)

this information back to the Committee at a future date.

CHILD SAFETY RESTRAINT PROPOSAL

Senator Meyers requested that the Committee agree to introduce legislation involving child safety restraints.

Senator Johnston moved to introduce the proposal into the Committee; seconded by Senator Burke. The Committee voted favorably for introduction.

The meeting was adjourned at 9:57 a.m.

Please PRINT Name, Address, the organization you represent, and the Number of the Bill in which you are interested. Thank you.

2-15-83

NAME	ADDRESS	ORGANIZATION	BILL NO.
Bill Greed	S.O.B.	State Car. Com.	
Edward R. De Soignie	S.O.B.	Transportation	
Evelyn H. Dunder, Russell		Chamber of Commerce	
Dean C. Banker	Russell	Banker's Dept Store	
Joe Payne	Elkhart	Housing	
Bill Newick		Bill Newick Motors Inc Russell	
Vicki Menhardt		KTO	
Tom Whitaker	TOPEKA	Ks Motor Carriers Assn	
MERLE HILL	TOPEKA	Ks Good Roads Assn	
Darell L. Wright		KMHI Board Member	SCR 1616
DEE SCRANTON		KMHI BOARD & MFG REP.	
Margie Tidwell		KMHI-Topoka	SCR 1616
Paul Clark		KMHI	H. Bd. Ks. SCR 1616
Tom Brown		KMHI	McPherson, Kansas SCR 1616
Rep. Robert Miller, Russell			

Testimony before Senate T&U Committee, 2/15/83

Margie Tidwell

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 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 anticipate 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.

Atch. 1

Testimony before the Senate Transportation and Utilities Committee, 2/15/83

SCR 1616

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, financial and insurance companies, 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.

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 behihd 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

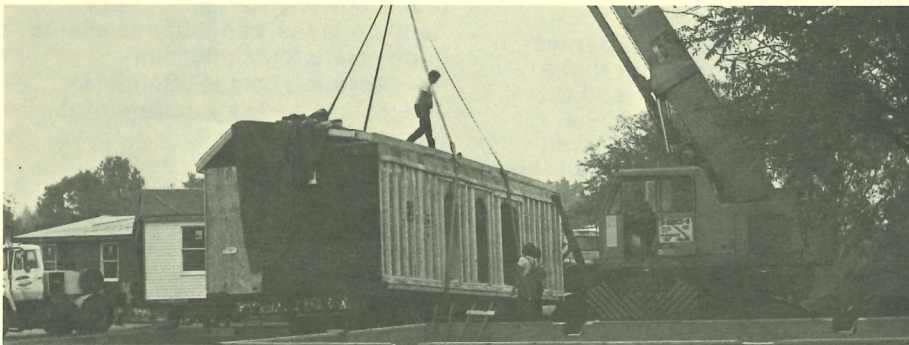
Observing that this will be the first time they will be using houses priced lower initially than conventional (site-built) houses, HUD Under Secretary Donald I. Hovde, keynote speaker on the first day of the Symposium, defined the primary purpose of the program:

"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.

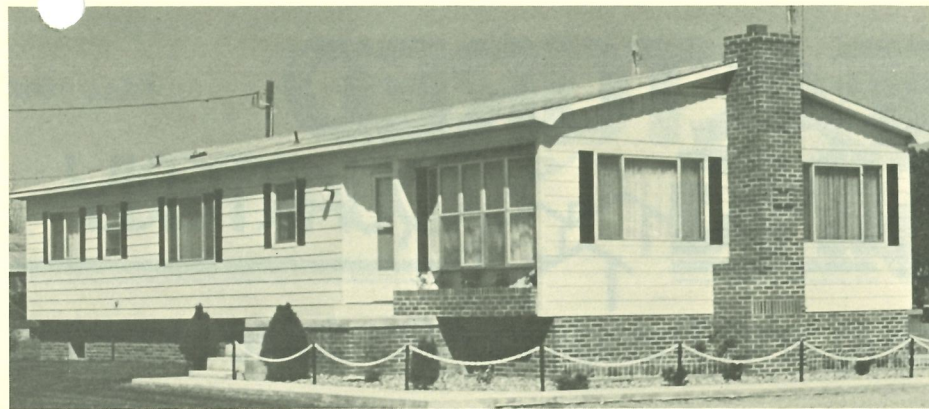
Dr. Nutt-Powell cautions that all

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
- MH subdivisions, the financial viewpoint, P4
- HUD/BOCA code comparison, P5
- MHQ interview with Senator Richard Lugar, P6



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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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 homeownership.”

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.

MHQ 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!"

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



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.

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.

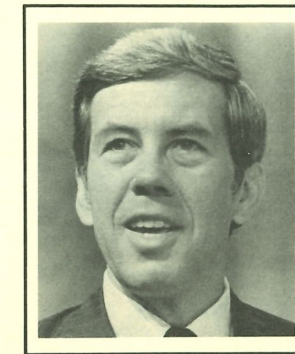
"This is a great opportunity for the mortgage lender, but he has to know what he's doing," cautions Shirk. "We're in a very volatile transition stage and the mortgage lender coming into the market should familiarize himself thoroughly in all aspects of this business, especially with the government programs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



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.

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.

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?

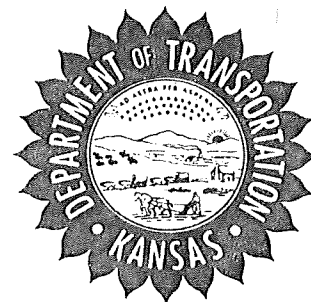
A The change of the references in federal law from mobile homes to manufactured housing has had several effects: it has speeded the elimination of the use of the terms *mobile home* and *trailer*, it has recognized the dramatic changes that have taken place in the industry and it has helped improve the 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 led 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.

KANSAS DEPARTMENT OF TRANSPORTATION

STATE OFFICE BUILDING—TOPEKA, KANSAS 66612



JOHN B. KEMP, Secretary of Transportation

JOHN CARLIN, Governor

February 15, 1983

MEMORANDUM TO: Senate Committee on Transportation and Utilities

REGARDING: S.C.R. 1616

I. Summary

S.C.R. 1616 amends K.A.R. 36-1-26 to allow for the movement of 16 foot wide mobile. It deletes the current width limitation of 14 feet.

II. Comments

In a statement filed with the Department on November 30, 1982, the Kansas Manufactured Housing Institute (KMHI) urged " the Department of Transportation to begin now to develop guidelines which will allow for the issuance of permits for the movement of 16 foot wide manufactured homes".

Under current law, the KDOT regulates the movements of oversize vehicles through the issuance of special permits as authorized by K.S.A. 8-1911. Factors which are considered prior to the issuance of a special permit are: 1) dimensions of the vehicle and load, 2) distance to be traveled, 3) road characteristics, and 4) traffic safety.

III. Fiscal Impact

The fiscal impact upon the KDOT of allowing 16 foot wide mobile homes has not been determined.

IV. Agency Position

As was previously mentioned, the KDOT must assess a variety of factors prior to the issuance of special permits for vehicles and loads of excess size. The Department is sensitive to the vital role that our roads play in the day to day movements of goods and materials across our state and nation.

In addition to this concern the Department must also weigh the safety considerations of the general public. Obviously, traffic regulations cannot favor only one segment of the public, particularly when all segments contribute to the construction and maintenance of the roads.

Atch. 2

The KDOT's Division of Engineering and Design has been instructed by Secretary Kemp to research and advise him on the movement of the 16 foot wide mobile home in Kansas.

We would ask the Committee to defer voting on this matter until such time as the study findings are available.