

Affordable Alternative – Advancing the Next Generation of Manufactured Housing

Virginia Housing

Homeownership: Encouraging New Construction

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“These factory-built homes are great starter homes for families, for people who would want to have a yard for the kids to go out and play. The idea is that if we can do affordable housing at a higher standard, not only do we help someone get a new home, they get a new home that is energy efficient and lasts as long as a traditionally built home.”

Gary Wasson, CEO of Danville Redevelopment & Housing Authority

Brief Background of Virginia Housing’s Efforts to Promote Innovative Construction for Affordable Housing

Like many states, Virginia has a shortage of housing that is affordable to a substantial number of households. In fact, one in three households in Virginia is cost burdened, spending more than 30 percent on their income for housing. In addition, Virginia will need to house over 350,000 new workers in the next 10 years.

To help address these needs, Virginia Housing associates began discussing ways to increase starter home inventory in Virginia, and decided to promote the use of next generation factory-built housing throughout the state. This type of housing appealed to us for a number of reasons, including a shorter timeframe for construction, less need for contract labor, and the ability to provide new products to address the lack of affordable housing inventory.

Factory-built housing includes modular homes, which are constructed in sections in a controlled environment at an off-site factory. They are then delivered to home sites for construction. It also includes manufactured homes, which are built to a nationally-approved standard and typically delivered to home sites as a complete unit.

Of these two approaches, Virginia Housing focused on advancing the use of the next generation of manufactured housing to expand homeownership opportunities in the state.

Next Generation Manufactured Homes

Virginia Housing has developed a strong partnership with the Virginia Manufactured and Modular Housing Association (VMMHA) to consider innovative approaches to meet housing needs. VMMHA introduced us to the Next Step Network, Inc. which seeks to make factory-built homes a practical, sustainable solution for homeownership. We were impressed with the organization’s dedication to building relationships between the factory-built housing industry and housing developers, affordable housing advocates, lenders and other key stakeholders.

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Next Step, in partnership with the Freddie Mac Foundation, was looking for pilot sites to highlight the next generation of manufactured housing. These homes include elements such as a pitched roof, garage, porch, drywall throughout, and enhanced cabinets. In addition, they are Energy-Star rated and designed to fit the character of a neighborhood.

Virginia Housing then initiated conversations with the City of Danville to allow the manufactured housing pilot program into their community. Since the city's zoning did not allow manufactured housing, Virginia Housing worked with city staff members to provide a better understanding of why this type of housing was appropriate and how it is built to an extraordinarily high standard. As a result, the City Planning Commission and City Council agreed to create a special district to allow the project to move forward, and efforts are now underway to place six of these homes in a Danville neighborhood.

The project will provide infill housing in an historic district, and the Next Step homes will be designed to fit into the context of the neighborhood. The first home has recently been completed and marketing efforts are about to begin. It's also important to note that these homes can be appraised and financed similarly to traditional site-built housing. Once completed, this pilot program will be a model to showcase this new class of manufactured housing, and serve as a case study on how partnerships can create more affordable housing for communities.

Why Virginia Housing's Initiative is Meritorious and Meets NCSHA Judging Criteria

Innovative

This initiative encourages higher utilization of manufactured homes by providing education, showcasing them directly to the public, and giving presentations to organizations like the Virginia Housing Commission. In addition, we worked very closely with a locality (the City of Danville) to ~~get~~ encourage them to consider zoning options to allow these homes. Also, the fact that you can use stick-built comps in your appraisals of these homes is a very unique feature of this next generation of manufactured housing. Finally, we are successfully building a cluster of these homes in Danville, setting the stage for increased utilization and awareness of this highly durable product for entry-level first-time homebuyers.

Replicable

This initiative is certainly replicable by other HFAs wishing to form partnerships with housing manufacturers and localities to promote new, alternative affordable housing options. HFAs can also use their traditional lending products to finance these homes, which qualify because they are placed on a permanent foundation. Other HFAs certainly experience the same challenges we do in terms of overcoming public perceptions about manufactured housing, so they can also use this as an opportunity to provide better education and advocacy around factory-built housing.

Responds to an important state housing need

Governor Ralph Northam's Executive Order 25 identified priorities aimed at addressing Virginia's unmet housing needs, including addressing the shortage of quality affordable housing. This initiative helps meet this need by offering a new approach to providing more affordable housing for the market. Partnering with Next Step supports our state efforts because their model is specifically designed for affordable housing. For example, they are mission-driven, which aligns well with our goals; and they continue working with local governments, HFAs, and nonprofits to serve a segment of the state population in need of affordable housing options.

Demonstrate measurable benefits to HFA targeted customers and underserved markets

Next generation manufactured housing provides a price point well within Virginia Housing's sales price limits for a new homeownership unit. This approach enables new homeowners to access new energy efficient, low-maintenance, affordable units which are currently largely absent from the market in Virginia and most states.

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Proven track record of success in the marketplace

In Danville, the first Next Step manufactured home has been completed, and is currently being used for marketing and housing education purposes. This home will be sold to an income-qualified first-time homebuyer in the near future, as well as the other five homes that will be built as part of the demonstration.

Provide benefits that outweigh costs

Next generation manufactured homes are ultimately more affordable to develop than traditional stick-built thereby creating a financial benefit to our first time homebuyer. They are built in a controlled environment which allows for a more efficient process, including fewer weather delays and quicker construction. These homes also comply with stringent standards and are compatible with all types of neighborhoods.

Demonstrates effective use of resources

There is very little waste generated in the production of manufactured housing due to careful design planning and production processes. Furthermore, the approach provides an affordable new unit in markets where existing homes could generate immediate or short-term financial pressures on new buyers related to renovations and maintenance. It represents an approach that is beneficial for the environment and the new buyer.

Effectively employs partnerships

This effort demonstrates the value of a strong partnership essential to advancing the use of manufactured housing for homeownership at the local level. The city of Danville, Danville Redevelopment and Housing Authority, VMMHA, Next Steps, Freddie Mac, and Virginia Housing effectively worked together to make affordable new homes a reality.

Achieve strategic objectives

The Virginia Housing strategic plan includes the advancement of new affordable homeownership opportunities as a priority. In order to increase the homeownership rate for first-time buyers including minority buyers, the expansion of the inventory of affordable new homes is critical to the vitality of our communities.

Conclusion

Virginia Housing's efforts to promote innovative construction techniques through factory-built housing has better informed local planners, officials, and the public about how the manufactured housing industry has advanced its construction methods and products. We see our role as being able to facilitate new ideas, new products and new concepts by showcasing new affordable home options across Virginia. Also, we're using the initiative to create new partnerships as well as effectively use our own resources to achieve these goals.

Attachments: Photos of the exterior and interior of Next Step's model home in Danville, VA

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