

Innovative Demonstrations Program:
Zoning Acceptance of Factory-Built Housing
Virginia Housing
Homeownership: Encouraging New Construction

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VIRGINIA HOUSING

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ENTRY CATEGORY:

Homeownership – Encouraging New Construction

ENTRY NAME:

**Innovative Demonstrations Program:
Zoning Acceptance of
Factory-Built Housing**



Brief Description

Virginia Housing’s Innovative Demonstrations Program launched in 2019 to invest in innovative housing solutions, including advanced factory-built housing. With internally generated funds, Virginia Housing created this grant program to bring together manufacturers and local jurisdictions as partners, to encourage acceptance of advanced factory-built homes within local zoning requirements. Advanced factory-built housing includes next generation modular and manufactured homes. Modular homes are sectionally built in a controlled, off-site facility and delivered to the home site for assembly. Manufactured homes – also called cross-mods – are built to national standards and delivered to sites as complete units. In the last decade, advanced factory-built housing systems have continued to evolve to support the construction of high-quality, durable homes. These systems can also reduce the time, cost, and environmental footprint of new construction. Expanding the inventory of affordable starter homes is an urgent state priority and key strategic goal: putting the dream of homeownership in reach of more Virginians, especially BIPOC households and other historically underserved communities. Our research shows that advanced factory-built housing can be a major component of a multi-faceted approach to increasing the supply of affordable homes where the need is greatest. We provide grants and other resources to support proposed projects; and partner with localities, nonprofits, and housing organizations to develop advanced factory-built homes for moderate-to-low income first-time buyers.

The City of Danville received a \$65,000 grant to support planning, outreach, and other needs to build five infill advanced manufactured homes with its Redevelopment and Housing Authority; this partnership also included Next Step, a national nonprofit providing advocacy and education around manufactured housing. The Danville pilot includes manufactured homes priced between \$160,000-\$170,000. The City of Martinsville received a \$500,000 Innovation grant to work together with the Harvest Foundation to expand affordable homeownership opportunities for low and middle income buyers in their Central Business District. This pilot includes 12 cottage-style advanced modular homes and 15 townhomes priced between \$120,000-\$190,000.

These two communities are leveraging Virginia Housing’s homebuyer programs – including our Mobile Mortgage Office – to offer flexible financing and assistance, and are compelling examples of our holistic approach. In addition to demonstrating advanced factory-built homes, these efforts expand access to affordable homeownership, while building wealth in historically underserved communities.

Why it is meritorious and meets NCSHA award judging criteria

Innovative

Our approach not only demonstrates the capabilities of advanced factory-built housing but also addresses zoning issues and other institutional or statutory challenges. The Danville and Martinsville pilots encourage higher utilization of advanced manufactured and modular homes through factory-built construction and via a framework of education, training, and planning. In Danville, manufactured housing, even the next generation models, were not allowed due to zoning restrictions. We worked with the City of Danville, through their Planning Commission and City Council, to provide technical assistance and guidance to encourage zoning options for construction of these innovative homes. As a result, a new overlay district was created to accommodate these homes and gives great promise to opening the door to change land-use restrictions in other localities. By building multiple homes in Danville we are setting the stage for increased utilization and awareness of this highly durable product for entry-level first-time

homebuyers. These homes are built to such a high quality standard that stick-built comps for appraisals are allowed, providing greater opportunity for increases in home value and ultimately, wealth-building for the families.

Replicable

This approach is replicable by other HFAs seeking to establish partnerships with housing manufacturers and localities to promote alternative affordable housing options. HFAs can leverage existing lending products – advanced manufactured homes are eligible for Fannie Mae and Freddie Mac financing – as they are placed on permanent foundations. Peer HFAs experience the same challenges in terms of overcoming public perceptions about factory-built housing, particularly manufactured housing, so this is an opportunity to integrate education and advocacy into a replicable model. Virginia Housing also established a key partnership with the Virginia Manufactured and Modular Housing Association (VMMHA) to support this effort. VMMHA introduced us to the Next Step Network, Inc. which seeks to make manufactured homes a practical, sustainable solution for homeownership. Our work has demonstrated that computerized designs enable more efficient modifications of popular floorplans and that offsite manufacturing significantly reduces construction time. These automated systems are designed to support precision replicability and modification, reducing the time and resources required for training and adjustments. Multiple homes can be built simultaneously, which lowers the cost of labor and materials, which are purchased in greater quantities.

Responds to an important state housing need

Housing is an essential need and achieving affordable homeownership is crucial to individual and community wealth-building. Virginia is confronting a shrinking inventory of affordable housing options. Exacerbating this issue, one-in-three households in Virginia is cost-burdened: spending more than 30% of their income on housing. In addition, Virginia will need to house over 350,000 new workers in the next 10 years to sustain economic growth. Together, these variables continue to drive up home prices—with the average median sales price in 2021 jumping 10% to \$350,000—pushing first-time homeownership out reach of working families.

Uses data, research, and analysis to demonstrate measurable benefits to HFA targeted customers and underserved markets

The advanced factory-built housing demonstrated in Danville and Martinsville both feature price points that fall within Virginia Housing’s homebuyer sales price limits. This enables qualifying homebuyers in rural or other underserved areas to access high-quality, affordable homes that are energy efficient and durable. In Danville, this model supports mortgage-lending rather than chattel-lending, which allows new homeowners to build wealth through equity in rural communities where the paucity of affordable housing options, including new construction, persists.

Has a 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. Further, Virginia Housing partnered with the Virginia Manufactured and Modular Housing Association (VMMHA) to bolster technical assistance and outreach. VMMHA connected us with the Next Step Network, Inc., which promotes factory-built homes as a practical, sustainable pathway to

homeownership. VMMHA also provides training resources for the appraiser network to assess advanced manufactured homes. In Martinsville, the first five homes were factory-built and delivered to the site – work is expected to be finished by the end of May 2022. Nationwide will then build the next five homes for delivery. The Danville and Martinsville pilots serve as models for similar projects.

Provides benefits that outweigh costs

Advanced factory-built housing is more affordable than stick-built homes, which creates new opportunities for housing agencies to expand inventory and for first-time homebuyers to achieve the dream of homeownership. Built in a controlled environment, next generation manufactured and modular housing supports more efficient and sustainable construction, and is less vulnerable to weather delays and other challenges that impede stick-built homes. Nationwide Homes is incorporating cost-saving measures into development, including reduced shipping costs; ordering materials in bulk; building the modular homes in bulk; and reduced crane rental fees, since 3-4 modular homes can be set up in a day opposed to one stick-built home. These homes also comply with stringent standards and are compatible with most neighborhoods. The public stigma associated with factory-built housing as well as zoning issues applicable to manufactured homes – which are built to HUD code – continue to challenge investments in innovative construction, but our holistic approach shows these are navigable.

Demonstrates effective use of resources

Advanced factory-built housing wastes fewer resources due to precision design planning and production processes that utilize time- and material-saving capabilities like automation. This approach also provides affordable new units in markets where existing homes could generate immediate or short-term financial pressures on new buyers related to renovations and maintenance. Advanced factory-built housing offers benefits that are ultimately passed down to the homebuyer, greater community, and environment.

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 have effectively worked together to make affordable new homes a reality. Crucially, our approach integrates partner-driven technical assistance, education and outreach to address public perception, zoning challenges, and other hurdles.

Achieves strategic objectives

The Virginia Housing strategic plan includes expanding homeownership opportunities for underserved communities as a key goal. In order to increase the homeownership rate for first-time buyers, including BIPOC buyers, we must pursue solutions that expand the inventory of affordable new homes while constraining the costs and resources needed to produce meaningful results. Advanced factory-built housing is a powerful tool for this purpose.

Conclusion

Virginia Housing's efforts to promote innovative construction techniques through advanced factory-built housing has better informed local planners, officials, and the public about the industry and strengthened support for its construction methods and products. As we continue to drive toward a more affordable, equitable Virginia, we continue to explore bold, innovative ideas that make a measurable difference for the most vulnerable individuals, families, and communities.

Visual Aids:

Advanced Manufactured Housing | Danville, Va.



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