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Submitted to the Subcommittee on Transportation, and Housing and Urban Development, and
Related Agencies (THUD)
Appropriations Committee
United States House of Representatives**

Manufactured Housing: Supporting America's Largest Unsubsidized Affordable Housing Stock

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INTRODUCTION

Thank you, Chairman Price, Ranking Member Diaz-Balart and members of the Subcommittee for the opportunity to provide testimony on the role of manufactured housing within the affordable housing sector. I would also like to acknowledge Representatives Norma Torres and Pete Aguilar, whose districts include my organization's service area, as well as thanking Congresswoman Torres for the invitation to appear before you today.

I represent Neighborhood Partnership Housing Services, Inc., or NPHS. NPHS is a nonprofit community development organization dedicated to building stronger communities. Over the span of 30 years, NPHS has grown from a small grassroots organization into a multifaceted, entrepreneurial Community Development Financial Institution (CDFI) focused on the Inland Empire Region of Southern California, which includes Riverside, San Bernardino and Eastern Los Angeles Counties. Today the organization serves a variety of stakeholders, including low-to-moderate-income families and individuals, local governments, private sector businesses, and other nonprofit organizations. NPHS is also a proud member of the Network of NeighborWorks America affiliate organizations. In fiscal year 2021, the NeighborWorks organizations conducted over \$16 billion of affordable housing and community development activities.

NPHS's mission is to build equitable communities by creating innovative housing and economic solutions that advance the well-being of people, vitality of neighborhoods, creation of jobs, and sustainability of the environment. We do this by creating impact in five areas – Affordable Housing, Neighborhood Revitalization, Community Wealth Building and Preservation, Environmental Sustainability, and Job Creation and Preservation. These products and services lead to meaningful outcomes in underserved communities such as: improved living conditions for at-risk families, increased rates of sustainable homeownership, lower rates of default and foreclosure, wealth building and preservation opportunities for low-and-moderate-income consumers, a shrinking racial wealth gap within served communities, promotion of intergenerational wealth transfer,

stable neighborhoods, and an increased and preserved affordable housing supply. Taken together, these outcomes map progress toward our vision of a future where all families are financially prosperous and live in healthy, equitable and economically vibrant communities. Thanks to our comprehensive approach, NPHS has stimulated more than \$4.5 billion in direct investment back into our local communities over the past 31 years.

As part of our entrepreneurial approach to community development, we consistently research and test emerging innovations to expand the supply of affordable housing in our region. In recent years, we have sought to leverage the potential of manufactured housing to achieve this goal of increasing the availability of affordable homes. Our primary partners in this endeavor have been NeighborWorks America and Next Step Network, a national nonprofit with the mission of putting sustainable homeownership within reach of everyone, while transforming the manufactured housing industry through consumer education, affordability and energy efficiency.

THE PROBLEM: A NATIONAL SUPPLY GAP AND AFFORDABILITY CRISIS

For generations, the blueprint for wealth creation and equity building in the United States has been predicated on the financial gains afforded by homeownership. Yet millions of households – particularly those living in lower-income communities of color, on tribal lands, and in immigrant communities – have been barred from this quintessentially American path to prosperity due to a lack of affordable housing and the legacy of exclusionary housing policies. Even today, as the Council of Economic Advisors notes, exclusionary zoning laws, which dictate (among other things) which type of housing can be built in which neighborhoods, not only restrict housing supply, but can also negatively impact socioeconomic outcomes by restricting where lower income and/or minority families can reside.ⁱ Nationally, the Hispanic and Black homeownership rates are 51% and 43% respectively, compared to 72% for whites.ⁱⁱ This systemic failure has a multiplier effect. Even before the COVID-19 pandemic, the Joint Center for Housing Studies found that the vast majority of the lowest-income households were cost-burdened, paying more than 30 percent of their income on housing costs.ⁱⁱⁱ Hardworking families make impossible trade-offs to reside in substandard housing conditions, and such environments are correlated with an increased risk of homelessness, poorer health outcomes, and lower educational attainment.^{iv} Much of today's housing stock is also energy inefficient, not only raising costs for already-struggling households, but contributing to climate change. As our current housing crisis deepens, with the affordable housing supply at historic lows, there is an urgent need to rethink how we meet our fellow Americans' housing needs.

The United States' housing supply gap has been building for years and will only be exacerbated by demographic trends. From 2000 to 2015, supply lagged demand by more than seven million units;^v by the end of 2020 the supply gap was estimated at nearly four million units.^{vi} Meanwhile, Millennials (now the largest demographic group in the U.S.)^{vii} are reaching "peak first-time homebuying age"^{viii} and entering a constrained market. 37 million Millennial households are mortgage-ready^{ix} but cannot find a home due to limited supply at their price point.

New home construction is not solving this challenge but is instead fueling the upper-end housing market. Home developers face escalating costs due to tariffs on building materials, a skilled labor shortage, regulatory burdens, and spiraling land costs. Thus, builders have primarily abandoned the affordable single-family market, focusing instead on the profit potential of upmarket development. The long-term decline in entry-level, single-family home starts hit new lows over the past decade, with 2020 production equaling only 1/5 of the annual production seen 30 to 40 years earlier.^x

Housing affordability is typically defined by limiting housing costs to 30 percent of income. The median U.S. household income in 2020 was \$67,521,^{xi} meaning that a typical household can only afford a home priced at \$220,000 with a 5% interest rate.^{xii} Yet according to the U.S. Census Bureau, in November 2020 the median sales price for new homes was \$335,100, while the average price was \$390,100^{xiii} – well out of reach for the typical family, much less for lower-income families. Prices continue to rise despite the disruption of the COVID-19 pandemic, with the National Association of Realtors citing a current median home price of \$391,200.^{xiv}

Like much of California, the Inland Empire is facing a spiraling affordability crisis exacerbated by a shortage of housing units. While the region is often perceived as a haven from overpriced coastal housing markets, rising housing prices are still pushing homeownership out of reach for many, particularly low- and moderate-income consumers. According to the California Association of Realtors (CAR), the median sales price in the Inland Empire was \$551,000 in February 2022,^{xv} a 51% increase compared to the July 2018 median of \$365,000.^{xvi} In comparison, from 2018 to 2020 the median income in the region rose only 15%, from \$39,403 to \$45,365.^{xvii} At the end of 2021, however, CAR reported that the minimum qualifying income required for the median home price (then \$530,000) was \$98,400,^{xviii} illustrating an ongoing affordability gap. Although California has aggressively tried to address this issue – more than doubling its affordable housing production in the last three years^{xix} – shortfalls continue. In 2021, for example, Southern California reached only 11% of its affordable housing production goal.^{xx} At the local level, the racial wealth and homeownership gaps are paralleled by disparities in earning power: while the median income for white workers is \$27 an hour in the Inland Empire, it is \$18 for Latinos and \$22 for Blacks.^{xxi} NPHS's approach to homeownership is aimed squarely at addressing these systemic issues.

MANUFACTURED HOUSING: PRIMED TO BE PART OF THE SOLUTION

Over the past five years, NPHS has tested the viability of manufactured housing to address the shortfall of affordable housing in our region, siting six homes in Chino and San Bernardino to date, with an additional ten in development. Factory building leverages the efficiencies of the manufacturing process to increase the housing supply at an affordable price point. Today, manufactured housing is home to 22 million Americans, most of whom are low-income, making it a significant and unsubsidized portion of the affordable housing supply, particularly in rural communities.

According to U.S. Census Bureau data, the average price of a single-section manufactured home (not including land) was \$57,100 in 2020 before increasing to \$66,600 in the first six months of 2021. The average cost of a double-section manufactured home was \$108,567 in 2020 (\$123,850 in the first six months of 2021). NPHS has achieved 25-30% cost savings through manufactured housing versus its site-built homes as well as shorter timelines, with homes completed four to five months post permit. Although most of these homes meet only minimum code standards and often lack energy efficiency upgrades, NPHS partners with Next Step to offer higher quality, energy-efficient homes.

Several aspects of the manufacturing process enhance the climate friendliness of these homes, such as less construction waste, tighter building envelopes that lower utility costs and improve indoor air quality, and standardized ENERGY STAR® features. The efficiencies of the process also facilitate adding energy efficient features at minimal cost. NPHS specifications address the risks of climate change faced by our customers: they are upgraded with wind-resistant roofs and to meet California wildland-urban interface (WUI) fire standards. We also add solar panels to our homes on site. In terms of customer appeal, modern manufactured homes make sense for many consumers. They are a great fit for Millennial, first-time buyers who may be looking for high-performance customizable homes, or older home buyers looking to downsize to a home with universal design standards designed for aging-in-place.

Given skyrocketing development costs in California, NPHS has been actively exploring how to leverage these advantages in our market. Manufactured housing holds promise for economies of scale when developing scattered vacant lots in urban and suburban areas. We are testing this infill strategy through our relationships with the cities of Chino and San Bernardino. In our initial developments, the cost of developing factory-built homes was about 25% less than traditional site-built homes. This savings has increased to approximately 30%; currently, it costs NPHS approximately \$299,000 (\$193 per square foot) to construct a 1,547-square foot, 3 bedroom and 2 bath manufactured home with a two-car garage, whereas a traditional site-built home with the same configuration and similar amenities costs NPHS approximately \$387,000 (\$250 per square foot). This dramatic difference in cost opens homeownership opportunities to a greatly expanded pool of individuals and families.

NPHS launched our manufactured housing work in 2017 with a three-unit development in the City of Chino, Villa del Sol. The revitalization project began eight years ago with a boarded-up, vacant home amid a housing crisis that shook the Inland Empire to its core. As housing prices dropped, NPHS and the city identified the property and saw an opportunity to revitalize the neighborhood of hard-working families by creating three affordable homes on the same parcel. Demolishing the blighted existing structure paved the way to develop three craftsman-style factory-built homes.

The stories of two of our recent homebuyers can be found here: <https://www.youtube.com/watch?v=hRF2V1uiEyl>. The Chappelle family is one example of a typical NPHS buyer. A teacher in

the City of San Bernardino, it was important for Ms. Chappelle to buy a home – with a yard for her growing family to play in – in the community where she works. Based on their income this was a difficult goal, and the family faced challenges navigating the home buying market. Through NPHS and the city, the family was able to access down payment assistance to purchase an NPHS manufactured home in the City of San Bernardino.

Other examples of our manufactured homes are shown here:



San Bernardino Infill Development



Chino: Via Del Sol Infill Development



San Bernardino: Ramona Demonstration Project (Manufactured Home + ADU)

BUILDING A SOCIAL ENTERPRISE TO LEVERAGE THE POTENTIAL OF MANUFACTURED HOUSING

NPBS has built and is testing a scalable and replicable social enterprise, Homes by NPBS LLC, based on the lessons learned from our initial experience with manufactured housing. This model will not only leverage manufactured housing technology to increase the supply of affordable homeownership, but also take advantage of NPBS's vertically integrated approach to reach underserved markets and address the systemic obstacles that have historically impeded households of color from achieving and sustaining homeownership.

NPBS will partner with municipalities to secure infill lots to continue testing and then scale our manufactured housing strategy. These infill developments will serve as a local laboratory to incubate multiple housing production methods and learn what holds the most potential for replication. The standard approach will be to develop climate-friendly and highly energy-efficient single-family, manufactured homes on infill lots. On specific sites, NPBS will also test additional strategies with the potential to increase the affordable housing supply, preserve affordability, and improve climate resiliency. These strategies include accessory dwelling units, placing units in our community land trust, design innovation and standardization, and energy upgrades such as solar panels.

Homes by NPBS LLC will further test and solidify NPBS's vertically integrated approach to shrinking the racial wealth gap. Our new social enterprise will leverage a range of in-house services to ensure that homeownership is accessible, affordable, sustainable, and climate-friendly for low-income households of color. We have secured our own retailer license to ensure factory-direct pricing and control over home specifications, for example. As a HUD-certified counseling agency, we also have the experience and cultural competency to prepare first-time, minority homebuyers, plus access to Next Step's manufactured housing counseling curriculum. Since 1991, NPBS has counseled 50,000 families on how to access and sustain homeownership (of whom 72% were people of color) and created 12,000 homeowners (82% buyers of color). Finally, as a certified CDFI, NPBS has access to multiple tools to ensure access to equitable financing for our customers. In addition to down payment assistance programs, in early 2022 NPBS launched a wholesale mortgage brokerage to ensure that all customers – regardless of the building technology they choose – have access to mortgage finance eligible for sale on the secondary market.

Federal funding has been a critical building block for this work. Over the past three years, NPBS received \$1,000,000 in HOME funds and \$150,000 from NeighborWorks America to support its manufactured housing efforts, including the development of six homes in the City of San Bernardino. In addition, NPBS receives \$500,000 annually from the U.S. Treasury CDFI Fund to provide down payment assistance and home improvement loans to low-income homebuyers and homeowners. Eligible borrowers can utilize this funding to purchase manufactured homes and accessory dwelling units.

CONCLUSION

We greatly appreciate Representative Torres' leadership in spearheading the effort to have [HUD issue guidelines for jurisdictions relating to the appropriate inclusion of residential manufactured homes in Consolidated Plans](#).

If we are to increase access to affordable, energy efficient manufactured homes, more must be done to address burdensome regulatory, zoning, and land-use barriers. The Biden administration's recently announced [Housing Supply Action Plan](#) outlines several legislative solutions to support manufactured housing and overall affordable housing supply, including:

- Passage of the Unlocking Possibilities Program to establish a competitive grant program to help states and localities eliminate needless barriers to affordable housing production, including permitting for manufactured housing communities.
- Housing Supply Fund grants to reduce affordable housing barriers.
- Authorize Housing Supply Fund financing for affordable housing production.
- Passage of the Neighborhood Homes Investment Act to provide tax credits to encourage investment in the millions of homes that are otherwise too costly or difficult to develop or rehabilitate. It also requires that these homes are sold to owner-occupants, rather than large investors.
- While some of these measures have already been passed by the House of Representatives, we hope members will continue to show their support as they work with their Senate colleagues to advance legislation.

Additionally, we appreciate Representative Axne's introduction of the [Manufactured Housing Community Preservation Act of 2021](#), which would require HUD to award grants to nonprofit organizations, public housing agencies, and other entities for the preservation of manufactured housing communities.

Finally, I am grateful for the THUD subcommittee's commitment to mitigating our nation's affordable housing challenges and for its ongoing support of NeighborWorks America. Without this federal resource, which provided critical funding each of our manufactured home developments, we would not have been able to develop and implement this strategy in Riverside and San Bernardino Counties. Thanks to the flexibility of NeighborWorks America grant funding, every \$1 appropriated from Congress yielded an average of \$102 in community investment across the nation. In my home state of California, \$1 in appropriated funds leveraged an additional \$192 in total investment right back to our communities.

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 - ii <https://www.nar.realtor/blogs/economists-outlook/racial-disparities-in-homeownership-rates>
 - iii <https://www.jchs.harvard.edu/blog/more-than-a-third-of-american-households-were-cost-burdened-last-year>
 - iv <https://www.brookings.edu/blog/up-front/2019/05/08/housing-trade-offs-affordability-not-the-only-stressor-for-the-middle-class/>
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 - xi <https://www.census.gov/library/publications/2021/demo/p60-273.html>
 - xii The \$220,000 home price was calculated based on the 2020 national median income, a 5% interest rate, and an FHA First Mortgage with a 3.5% down payment.
 - xiii U.S. Census Bureau (2020). Household income and housing affordability reports.
 - xiv <https://www.nar.realtor/research-and-statistics>
 - xv <https://www.car.org/en/marketdata/data/countysalesactivity>
 - xvi <https://www.car.org/en/marketdata/data/housingdata>
 - xvii <https://www.bea.gov/data/income-saving/personal-income-county-metro-and-other-areas>
 - xviii <https://www.car.org/marketdata/data/haitraditional>
 - xix <https://1p08d91kd0c03rlxhmhtydpr-wpengine.netdna-ssl.com/wp-content/uploads/2022/03/California-Affordable-Housing-Needs-Report-2022.pdf>
 - xx Ibid.
 - xxi https://nationalequityatlas.org/indicators/Wages_Median#/?geo=03000000000040140