

**WRITTEN TESTIMONY OF  
THE MANUFACTURED HOUSING INSTITUTE  
AND  
THE MANUFACTURED HOUSING ASSOCIATION FOR  
REGULATORY REFORM  
BEFORE THE  
U. S. HOUSE OF REPRESENTATIVES  
SUBCOMMITTEE ON HOUSING AND COMMUNITY  
OPPORTUNITY**

Presented By:  
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Chairman Ney and distinguished members of the Subcommittee, my name is David Roberson and I am the President and Chief Executive Officer of Cavalier Homes Inc. located in Addison, Alabama. Cavalier Homes is a producer of manufactured homes which primarily serves the entire southeastern United States. I am here today representing both the Manufactured Housing Institute (MHI) and the Manufactured Housing Association for Regulatory Reform (MHARR). Collectively, MHI and MHARR represent virtually all producers of manufactured housing in the United States today. MHI also represents other segments of the industry, including: retailers; suppliers; community owners; state associations, lenders and insurance companies. It is with a profound recognition of the seriousness of the issue at hand that I appear before you today to discuss the industry's response to the devastation caused by Hurricane Katrina in the Gulf region.

Ever since Katrina made landfall, MHI and MHARR have facilitated direct and ongoing contact between our members – the nation's best source of emergency housing – and the federal government, including Congress, the Department of Homeland Security, FEMA and HUD. During this period, we have communicated the latest information to our members regarding the need for immediate emergency housing for hurricane victims. As a result, we understand that thousands of single section homes have been – or are in the process of being -- transported to the affected areas in Louisiana, Alabama, and Mississippi. Fortunately, this quick response has itself been facilitated by the fact that a large portion of the manufactured housing industry's production infrastructure is located in the perimeter of the Gulf region. Alabama, Texas, Tennessee, Georgia and other southern states have both manufactured housing production facilities and retail centers with much needed capacity and the readiness to help respond to this national disaster.

Nobody could have imagined the enormous scope of the devastation wrought by Katrina in the Gulf region. The industry believes that under extremely trying conditions, FEMA is trying to do everything it can to bring temporary emergency housing to the tens of thousands of displaced citizens victimized by this natural disaster. The task at hand is indeed overwhelming in both size and scale. With this in mind, the suggestions made below are offered in the spirit of "lessons learned" resulting from the enormity of this catastrophe.

Below I will briefly outline the industry's extensive experience in providing – through FEMA – emergency temporary housing to the Gulf region, as well as the industry's suggestions for long-term permanent housing in this area.

### Temporary Relief Housing

On August 29<sup>th</sup>, the manufactured housing industry estimated that it had an available inventory of approximately 7,000 single-section homes located on retail sales centers in the southeast. In addition, the industry calculates that there are approximately 3,000 single-sections, late model homes in good condition available for immediate sale and delivery to the area. Similarly, the industry estimates that within the next three months, it could build and deliver 15,000 - 20,000 homes constructed to FEMA's specifications. Therefore, manufactured housing could contribute between 25,000 and 30,000 homes to families displaced by Katrina before the first of next year.

After January 1<sup>st</sup>, it is anticipated that the region will require additional emergency housing and the manufactured housing industry is capable of delivering homes at a rate of 10,000 – 15,000 per quarter depending upon need, availability, and other factors. Looking beyond the region's immediate needs for shelter, the manufactured and modular housing industry is fully prepared and qualified to build permanent replacement homes for the people of New Orleans and the impacted area.

Based upon available information, soon after the hurricane struck the industry contacted FEMA to ascertain the government's immediate needs relating to emergency temporary housing for displaced individuals in the affected area. FEMA's response was that it first wanted an inventory of existing single-section manufactured homes that were immediately available. FEMA also requested home specifications, including: VIN numbers; home dimensions; number of bedrooms and bathrooms; etc. of every available home. FEMA indicated that for logistical and other reasons, it wanted to focus initially on those manufacturers and retailers with sizable numbers of homes that can be transported immediately. We communicated this request to our members and provided them with fax numbers to FEMA and to HUD where they could send this information. The industry's response was immediate. As a result of this effort, several manufacturers and retailers have entered into contracts with FEMA for the shipment of thousands of homes into the affected areas. FEMA also sent a request to every state transportation agency asking them to waive enforcement of state transportation regulations for oversized loads for up to 90 days, subject to renewal.

Once homes were identified, questions immediately arose regarding the placement of these homes in the affected area. Wind zone II & III, under HUD's standards for manufactured homes, lies primarily in coastal regions and homes sited there must be constructed pursuant to stringent wind resistance criteria. Conversely, wind zone I areas are regions that are far less susceptible to dangerous wind events such as hurricanes, floods, and tornados. Accordingly, the construction standards for wind zone I homes are less stringent than wind zone III homes as they relate to wind resistance. When Katrina struck, the inventory of existing homes in the affected areas consisted primarily of wind zone I homes. The question arose whether state agencies and HUD would allow the placement of these homes in wind zone II & III on an emergency-temporary basis. If this were to be allowed, it raises the issue of liability for the manufacturers that constructed these homes, should a subsequent wind event harm the inhabitants. It also raises liability questions for installers who install, in wind zone II & III, a home which was constructed to be installed in wind zone I. Recognizing the immediate need for emergency housing, FEMA and DHS should temporarily waive the wind zone restrictions, HUD should not enforce the wind regulations for these temporary homes and the government should protect the manufacturers and contractors from potential liability claims.

The process for procuring and transporting existing homes could have been much smoother if FEMA had developed, in advance, a complete list of specifications for existing homes it would purchase in the event of a natural disaster. The lack of pre-existing specifications put manufacturers and retailers in the unfavorable position of having to speculate whether or not homes descriptions sent to FEMA would be acceptable. Manufacturers and retailers also reported that destination areas (staging areas) for the homes need to identified and communicated on a timely basis. This information is key in working with the transportation companies that actually

move the homes. This lack of information also complicates the bidding process in that the transportation costs cannot be determined without destination information.

After the initial word went out from FEMA for the purchase of existing inventory, the industry inquired about the government's need for the production of new homes. FEMA had a "rugged spec" which it used in responding to last summer's Florida hurricanes. This rugged spec is very costly and time consuming to build. In some cases, the specification requires materials that are not readily available and not industry standard. The industry worked with FEMA to develop specifications that could be built by every manufacturer – quickly and at a reasonable cost to the government. Once FEMA finalized its specification sheet for the purchase of newly constructed manufactured homes, it gave industry manufacturers only one day to submit bids. This is simply not enough time to prepare responsive bids of this magnitude to the government. In addition, FEMA specified that the homes must be built and delivered within six weeks. Since, in most cases, site preparations for the installation of the homes takes more than six weeks, it would have been better to permit manufacturers to phase their production over three months. This time extension would have permitted more manufacturers and therefore, more competitive bids from the industry on the emergency homes.

In addition, and solely for the purpose of providing temporary relief housing, Congress, in cooperation with HUD and the states, should ensure that paperwork regulations and standards that would interfere with timely deployment of emergency housing – without providing specific benefits for emergency occupants – are waived. These could include the waiver of ADA requirements; certification and licensing requirements for installers; expedited installer training; transportation-related permits & waivers; and expedited labeling factory inspection and monitoring procedures, among others. While such requirements are appropriate for permanent housing, they are less important for temporary housing and slow the delivery of such homes when the need for emergency housing is so pressing. Clearly in a catastrophe situation such as presented by Hurricane Katrina with such a large population of displaced persons, some regulatory accommodation is essential and proper in the interest of timeliness. Such accommodation is also appropriate to even the playing field between manufactured housing and other types of relief housing.

In the near future, it is strongly recommended that FEMA and the industry partner together to develop home specifications and procurement procedures that expedite the contracting process and deliver high quality homes to FEMA at the industry's lowest, competitive price when the next disaster strikes. It would also be helpful if the industry were given more than one day to submit bids. The process for assembling a competitive yet realistic bid for the construction of thousands of homes for rapid delivery to a disaster area is by its very nature a difficult and potentially risky exercise. It would not be unreasonable to provide manufacturers at least two to three days to submit such bids to FEMA. FEMA and other purchasing agencies also need to obtain and implement more timely payment authorization for manufacturers and retailers providing homes. The transfer of such large quantities of inventory can create significant cash flow problems for suppliers outside of the immediate affected area if prompt payment is not assured and made.

In addition, the industry learned some lessons from last summer's Florida hurricanes which might be applied to Katrina and future natural disasters. In order to improve rapid response, it would be helpful if FEMA could pre-identify large temporary housing locations in areas susceptible to natural disasters well in advance of those disasters. These locations might include former military bases and other facilities which have the necessary infrastructure already in place so that homes can be immediately be sited and hooked-up to utilities upon their arrival.

Finally, many current trade policies and disputes increase the cost and slow down the delivery of such relief housing. In the housing industry, the U.S. has to import a large amount of softwood lumber due to cutting restrictions on federal lands and because of differences in tree species. On average, a price increase of \$2,000 in a new house resulting from the U.S.-Canadian softwood lumber dispute eliminates 1% of American families from a chance to buy a new manufactured home as a result of current lumber tariffs. Similar difficulties hold true for tariffs on imported steel which are widely used in construction of manufactured homes. The U.S. government should drop tariffs on both the imported steel and lumber from Canada, especially now with the necessity to rebuild in the Gulf region of our country.

### Permanent Recovery Housing

While manufactured housing has played a prominent role in recent years in providing relief housing to victims of natural disasters, it is also a significant resource for "recovery" housing as the affected area rebuilds its housing infrastructure. In addition to facilitating the use of manufactured homes for relief purposes, Congress should also explore and promote the utilization of manufactured homes for such longer range uses. In this arena, manufactured homes offer two distinct advantages. First, as with relief housing, the nation's manufactured housing producers, utilizing factory construction techniques, can produce large numbers of homes in a relatively short timeframe. This would speed the overall economic and social recovery of the affected area. This is especially important due to the lack of laborers and tradesmen available on the ground to construct other types of permanent housing in the affected areas. Second, such homes, like all manufactured homes, would provide a source of affordable homeownership for all of those persons displaced. Thus, lower and moderate-income persons in the affected area would have an easier time obtaining a home, as compared with remaining in a temporary shelter situation.

In order to facilitate such uses, Congress should not only address the short-term regulatory and liability issues noted above, but should also work with the housing GSEs which purchase manufactured home loans to ensure that such recovery uses are not hampered by unreasonably strict underwriting requirements. Indeed, a partnership needs to be developed as soon as possible between the FEMA, the GSEs, and the industry to develop a long-term plan for permanent manufactured housing for displaced persons from the Gulf coast region. In addition, Congress should consider and pass as soon as possible HR 2803, the "FHA Manufactured Housing Loan Modernization Act" introduced by Representatives Tom Feeney (R-FL) and Barney Frank (D-MA). This legislation will bring much needed modernization to the FHA title I insurance program for personal property loans, which are sought primarily by lower-income

families seeking to become homeowners. Congress should also work with HUD, the states and localities to remove unnecessary zoning barriers so that such recovery housing is not hampered by local “NIMBY”(Not In My Backyard)-type restrictions.

Beyond these immediate concerns lies the broader issue of the full and proper implementation of the Manufactured Housing Improvement Act of 2000. This statute was adopted five years ago in order to modernize the federal regulation of manufactured housing. This modernization was necessitated by the evolution of the industry and its product in the nearly thirty years since the enactment of the original federal manufactured housing Act in 1974. The legislation mandates important improvements to the federal manufactured regulatory program that will facilitate both the availability and utilization of truly affordable manufactured homes. It also empowers the federal government to overcome discriminatory and unreasonable local barriers to the placement of relief homes and manufactured homes in general. To date, however, the implementation of this legislation has lagged and it is important for Congress to make it clear to HUD that its full and proper implementation is important not only to the industry and its consumers in an everyday context, but also in the context of the industry’s ability to respond to an emergency situation such as exists in the wake of Hurricane Katrina.

## CONCLUSION

Hurricane Katrina presented all levels of government with an unprecedented demand for human services, including huge quantities of ready housing. The industry has met demands for relief housing in the past and stands ready to assist in the present emergency. It will be necessary, however, for government and industry to cooperate on an equally unprecedented level if this demand is to be met in a competent and timely fashion. The foregoing points represent just some areas in which Congress, HUD and the states can work together to facilitate the provision of such housing. It will be important, however, for FEMA and other federal agencies to work directly with industry representatives in order to formulate plans and procedures that will be sufficient to meet a similarly catastrophic situation in the future.