

TESTIMONY OF THE

PENNSYLVANIA MANUFACTURED HOUSING
ASSOCIATION

BEFORE THE SENATE LABOR AND INDUSTRY
COMMITTEE

ON SENATE BILL 1001

OCTOBER 6, 2009

PRESENTED BY NICHOLAS A. FANELLI

OF

PINE GROVE MANUFACTURED HOMES, INC.

Good morning, Chairman Gordner and the members of the committee. My name is Nick Fanelli and I am here today on behalf of the Pennsylvania Manufactured Housing Association and am also a representative of Pine Grove Manufactured Homes, Inc. (PGMHI). PGMHI is one of the premier builders of high-quality manufactured homes in the United States. Founded in 1982, today the company—based in Pine Grove, PA—is the largest independent and privately held builder of manufactured homes in the northeast USA, and is part of the Pine Grove family of factory-built homes, typically building over 2,000 homes per year and employing more than 300 skilled craftspeople. The past year has brought enormous change to the manufactured housing industry; the tightening of the credit of markets and the general decrease in demand for new home construction has taken its toll on our industry just as it has the home-building industry in general. I am here today to discuss what the changes to the code and its effect on not only the manufactured housing industry, but also the tens of thousands of future Pennsylvania homeowners that will be adversely affected by the proposed changes to the 2009 UCC, namely the sprinkler mandate. SB 1001 would make it a municipal option, however, that does not go far enough.

The adoption of a fire-sprinkler requirement, will have an incredibly negative impact on the manufactured housing industry and, as a result of the enormous marginal increase in costs, simply make it too expensive for tens of thousands of otherwise-qualified homebuyers to become homeowners. Further, these imprudent and ill-conceived requirements cannot possibly come at a worse time, as the industry faces the most severe downturn in its history, threatening thousands of jobs here in the Commonwealth. Among the proposed changes to Pennsylvania's Uniform Construction

Code (UCC), I will focus on the proposed fire sprinkler requirement since it is by far the most consequential to the manufactured housing industry. In an attempt to narrow down these consequences, I will focus on the most important and far-reaching: (1) impracticality, (2) cost, and (3) ineffectiveness.

1. Impracticality

Fire sprinkler systems are simply not practical in manufactured homes. In Pennsylvania, approximately 70% of manufactured homes are installed on concrete piers, another 15% are installed on concrete slabs, and 15% are installed on full basements. Further, the highest concentration of new manufactured homes is geographically in central and western Pennsylvania. These areas of course, are mostly rural and suburban. Generally, these placements are of two categories: privately owned on a private property or privately owned on in a land-lease community. The homeowners that own their own lots generally have an on-lot well and septic system, which makes a sprinkler system unrealistic. The homeowners that have long-term leases on the property generally tap into infrastructure owned by the community—sometimes the water and sewer are municipally-provided but many times the community has a few large wells and a private sewer treatment plant on the property.

Sprinkler systems are generally going to require a flow rate of roughly double that provided by a typical on-lot well. This will require the installation of a holding tank for the water that will be used by the sprinkler system. However, because roughly 85% of manufactured homes are not built on full basements, there is not even a partially-conditioned space in which to place this tank (with an approximate cost of \$2,000 -

\$3,000). This tank would have to be placed outside, in the elements, of course requiring anti-freeze or some other way to prevent the tank from freezing in the winter (i.e. some incredibly costly form of electric heat, etc.). Of course, anti-freeze in a body of water decreases over time and must be maintained—maintenance that will be expensive and potentially very messy and difficult in a house full of furniture. The system would also require some sort of pumping device, presumably powered by electricity, to pump the water from the tank through the system upon activation of the sprinkler. If electricity is unavailable or the supply is somehow interrupted, it is unclear what would power the system. Further, your author is not aware of any requirement that the electrical pump require any kind of backup, even in plain ignorance of its absurd costs.

From a design perspective, the only feasible way to install the portion of the system that the factory would be responsible for is to install wall-mounted sprinkler heads near the ceiling. This is only plausible on interior walls, severely limiting the availability of open, spacious designs most consumers desire because sprinkler heads have only a certain range. Further, factories would be required to create a ceiling plan that would account for all heating supply and return ducts and registers, lighting fixture locations, ceiling fan locations, changes in ceiling heights, locations of soffits, beams, and other drops in the ceiling height. Assuming accommodating a design such as this possible in the industry-standard 3/12 pitch truss (with about enough room to create a “run” of wires) this is even possible, it would involve incredible complications and incur enormous costs, which we’ll discuss later. However, the brunt of the responsibility for the installation of these systems will fall on the distributors of manufactured homes—primarily retailers of less than 25 employees. They would most likely have to contract with one of the rare

sprinkler contractors in the Commonwealth to provide the necessary data to the factory's sprinkler designer and then contract with the sprinkler contractor to provide the sprinkler equipment and complete installation of the system. This will add a large burden to distributor and drastically increase the amount of time it takes to build a new manufactured home—one its primary competitive advantages.

2. Cost

Clearly, no builder or manufacturer of homes is going to all this work for free. Most committee members have likely heard a plethora of numbers tossed around with enormous ranges depending on who's asserting the prospective cost. In truth, there is absolutely no way for anyone to know what these systems are going to cost in advance. This is because there are simply too many combinations of variables. For example, there is just no way to know how much volume of water a well can produce in a given period of time before you even drill the well. Even scarier, there are likely going to be incredibly high hidden "legacy" costs of this system in the form of continuing maintenance, inspections, repairs, and the like.

The consumer is going to be faced with a large "forced-option" price at the factory level for the factory's costs in designing and installing the system, a distributor's "forced-option" price for completing the system, as well as the all of the additional costs incurred in preparing for the system and purchasing the applicable equipment (e.g. tanks, pumps, fittings, water, etc.). Because most manufactured homes are 1,000 – 2,000 square feet and sell for roughly half of a comparable site-built home, the dollar figures being tossed around are skewed—the cost per square foot on a 1,500 square foot home is clearly much

higher than it is on a 3,000 square foot site built home in suburbia. Further, the marginal increase in cost posed by a sprinkler requirement is an enormous percentage of the cost of the home to the consumer—early estimates put it at least as much as a 25%-30% increase on the cost of the home. Translated: a manufactured home built on a private lot with on-lot well and septic in, for example north-central Pennsylvania, could approach buying one and a half manufactured homes.

These additional costs will price out an enormous segment of the market—a market of homebuyers that is, by and large, seeking the most affordable path to building equity through home ownership. If they are priced out of the market for high-quality manufactured homes, they are most certainly priced out of the market for comparable site-built homes.

3. Unrealistic Burdens

Lastly, a fire sprinkler mandate imposes a potentially toxic concoction of burdens on manufacturers, builders, developers, retailers, and code enforcement officials. Every single one of these burdens will be passed on to the consumer in the form of increased costs and higher taxes. For starters, because the code is not clear as to the qualifications required to be a designer of a residential fire sprinkler system, just about anyone can hold themselves out to be a qualified sprinkler designer. There is not an adequate legislative infrastructure in place to ensure that if consumers are being forced to foot the bill for a system like this, that it's even going to work in the event of a fire. Municipal building inspectors do the best they can with limited resources and adding the total supervision of the installation of a sprinkler system would be yet another burden of intimate knowledge

of the variety of systems on the market and their operation and inspection. Even more importantly, builders and manufacturers will potentially be held liable for system failures and not even be able to prove compliance with the requirements. Moreover, unless municipalities across the Commonwealth are going to be responsible for inspections at certain intervals for the entire life of the home, there is no way that anybody can ensure that the system is in operating form (for example, homeowner decides that the maintenance isn't worth the cost and empties the tank and turns off the pump on the sprinkler system).

Conclusion

The cost, the impracticality, and the onerous burdens of a fire sprinkler requirement far exceed the increase in safety represented by a sprinkler system. There is no question that a sprinkler system has the potential to be a valuable safety system in adding precious time for the occupants of a burning structure to escape it. Moreover, it has the potential to increase the safety of fire-suppression professionals. However, the system comes at far too great a cost in terms of both dollars and practicality. Indeed, providing the Commonwealth's law enforcement personnel with armed humvees for general patrol would certainly be safer for them, but nobody would agree that it's the right thing to do. If this Committee allows a fire sprinkler mandate to remain in force, where do we stop? Do we require an electronic security system in all new construction to alert homeowners of a lurking danger and increase the safety of law enforcement personnel? Just as fire smoke alarms, egress windows, and fire-separation strike an appropriate balance between a goal (safety) and its costs, so too do door locks and street lights for home security. Accordingly, I encourage the committee to support House Bill

1808, introduced by Rep. Buxton, when it comes to Senate for consideration or consider introducing a bill of substantive equivalence. Thank you very much for the opportunity to express my concerns and I welcome any questions the committee members may have.