



Manufacturing a New Kind of Affordable Housing: Seattle's Noji Gardens

By Karen Jensen

In Seattle, where escalating real estate prices have made producing affordable housing increasingly difficult, an innovative community development corporation has pioneered a made-to-order solution: two-story manufactured housing. HomeSight, whose mission is to provide homeownership opportunities to moderate-income first-time home buyers, is using specially designed manufactured housing units, commonly associated with mobile homes, in a cutting-edge stacked, two-story configuration. The result is Noji Gardens, a development of attractive, high-quality single-family homes and town houses that look like site-built houses. The use of manufactured units provides HomeSight with cost savings that, when combined with creative financing for home buyers, make the homes at Noji Gardens affordable to moderate-income families.

Situated four miles southeast of downtown Seattle on 6.5 acres of land formerly a garden nursery owned by the Noji family, Noji Gardens will include residences for 75 families, all on individually plotted lots. Eleven single-family homes and 64 two- and three-bedroom town houses will be built, 54 of which will be manufactured units. Construction of the houses began in 1999 and is expected to be complete by 2002.

The custom-designed manufactured units are provided by Marlette Homes of Oregon, a subsidiary of Oakwood Homes, one of two companies nationwide that has experience with the newly developed two-story concept. HomeSight and Marlette worked together to create the various floor plans used throughout Noji Gardens, beginning with a formula diagram and then modifying it to fit within the manufacturer's guidelines.

Manufactured housing is built entirely in a factory and complies with a federal building code, the Federal Manufactured Home Construction and Safety Standards, administered by the U.S. Department of Housing and Urban Development (HUD). Known as the HUD code, the standards are the only federally regulated national building code and apply to the design, construction, strength and durability, fire resistance, energy efficiency, transportability, and general quality of the housing. The code preempts the units from the building codes of the locations where they are installed, however, the HUD code is often much stricter than local codes applying to site-built homes. It also requires that manufacturing plants be inspected regularly to ensure compliance with HUD code production standards. Components built on site, such as foundations, utility connections, and garages, must be inspected by the local building department. The HUD code, which went into effect in 1976, first defined manufactured housing as buildings rather than mobile homes, and the Housing Act of 1980 made this distinction official, mandating the replacement of "mobile homes" with "manufactured housing" in all federal laws for such homes built since 1976.

Unlike other types of factory-built homes, manufactured housing is constructed on steel eye-beam chassis to which wheels are attached. Thus, the units built for Noji Gardens are transported to Seattle on the highway, wrapped in protective plastic sheathing, hitched to a truck making the journey at 55 miles per hour. They arrive fully constructed, with drywall, electrical systems, appliances, and even

the shower curtains and window blinds in place. Placing them on their concrete foundations, attaching them, and completing finishing touches, such as lifting the hinged roofs to their full 8/12 pitch, is all that must be done. However, to make the houses more useful and attractive, HomeSight constructs site-built garage additions to the finished units.

The Noji Gardens site before...



and Noji Gardens now.



The single-family homes at Noji Gardens consist of two manufactured housing units, each about 16 feet by 39 feet, stacked one on top of the other. The bottom unit arrives from the factory with an integrated front porch, and the houses have three bedrooms. To this basic structure, HomeSight adds a two-story site-built addition with a garage on the first floor and one or two additional bedrooms on the second floor. Some site-built additions are constructed with an additional room on the first floor. The finished houses have a total of three or four bedrooms and range in size from 1,394 to 1,425 square feet.

The town houses consist of various configurations of two to four manufactured housing units. The two-unit structures stack one unit on top of the other to create a three-bedroom duplex; and the four-unit structures place two stacked structures side by side under a shared roof, resulting in two three-bedroom duplexes. HomeSight constructs site-built garages adjacent to the sides of the town houses, in some cases creating rows of manufactured housing duplexes separated by site-built garages. The town house plans vary and range from 1,250 to 1,400 square feet total. These are the first zero-lot-line—that is positioned so that one side rests directly on the lot's boundary line, in this case abutting the house next door—manufactured town houses in the country.

Noji Gardens will also include site-built units for 11 families, including six town houses with four two-bedroom units each, which must be site-built because the HUD Code does not yet address four-family structures.

Compared with exclusively site-built construction, using manufactured housing provides HomeSight with both time and cost savings. Each manufactured unit can be put in place in less than two hours by a relatively small construction crew, which results in substantial reductions in construction labor fees. According to Tony To, HomeSight's Deputy Director, from the foundation up, using manufactured housing at Noji Gardens enables HomeSight to realize a 15 to 20 percent cost savings. In addition, the manufacturer of the housing is able to provide many superior-quality components,

such as kitchen cabinets and appliances, which would be economically unfeasible in site-built houses.

The manufactured homes at Noji Gardens have appraised values of between \$215,000 and \$240,000 for single-family houses, and \$170,000 to \$200,000 for town houses. However, HomeSight's creative financing makes the homes more affordable. Buyers receive down payment assistance, property tax exemptions, and residual value notes, so that, for a single-family home, they must qualify for loans of only about \$125,000 to \$145,000, and for a town house, they must qualify for loans of only about \$110,000 to \$130,000. Even without such financing, the Noji Gardens houses are affordable compared with site-built homes in southeast Seattle, a low-income area. For example, a Noji house with three bedrooms and a garage sells for \$180,000, whereas an average (not new construction) three-bedroom house sells for \$203,000. The site-built town houses have appraised values of \$155,000 to \$162,000 and require buyers to qualify for loans of \$100,000 to \$120,000.

HomeSight down payment assistance loans are available to home buyers whose annual incomes do not exceed 80 percent of the Seattle median household income. The loans consist of low- and no-interest funds and do not require payment of principal for seven years unless the home is sold or there is a change in the use of the property. Property tax exemptions are possible because Noji Gardens is a tax abatement area, possibly the first use of such measure for homeownership in Washington. Residents do not pay property tax for ten years, although they do pay taxes on the land. HomeSight also offers buyers residual value notes on the difference between the appraised value of the home, which is recorded, and the actual price paid. Such notes do not require repayment until the house is resold.

HomeSight itself is financing Noji Gardens with a combination of private lender and foundation loans, including \$4 million in construction financing from Wells Fargo Bank, \$2.75 million in construction financing from Local Initiatives Support Corporation/National Community Development Initiative, \$1.1 million in construction financing from U.S. Bank, \$3.4 million in HUD Community Development Block Grant funds obtained through the City of Seattle's Float Loan program, \$1 million from the State of Washington Housing Trust Fund (for purchase assistance), \$500,000 in HUD HOME funds obtained through the City of Seattle (for purchase assistance), a \$500,000 HUD Special Purpose Grant (for down payment assistance), and a \$500,000 program-related investment loan from Fannie Mae Foundation (for down payment assistance). In addition, Fannie Mae Foundation provided \$145,000 in grant support to the Noji Gardens project through its Home Team program and partnership with HomeSight and the Seattle Supersonics.

As of early 2001, Noji Gardens had residents living in 8 homes, and 35 of the 42 houses under construction were presold. According to Dorothy Lengyel, Executive Director of HomeSight, the home buyers are an ethnically diverse group, with members of the Spanish-speaking, Asian, and African-American communities, and represent hard-working professionals including teachers and nurses. To afford the purchase of a house at Noji, many started saving 18 months before the development was begun. Although Lengyel admits that a few home buyers had concerns about purchasing manufactured housing, their fears disappeared when they saw that the quality and appearance of the houses at Noji Gardens was very similar to site-built homes. The residents in place so far are very satisfied with their homes and several have carefully landscaped their yards with flowers and shrubs.

Noji Gardens has also been welcomed by the surrounding community. As is their customary practice, HomeSight engaged the nearby neighborhoods and the City of Seattle throughout the planning and development process. As a result, community worries about the use of manufactured housing were allayed and HomeSight smoothly navigated the regulatory process. The unique design of the Noji houses and their use as a vehicle for affordable housing may well be serving to change perceptions of manufactured housing, whose use is restricted or outright forbidden in residentially zoned areas in many cities in Washington and throughout the nation.

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