

Understanding the On-Site Completion of Construction of Manufactured Homes

(This Overview Document Author: HUD's MHCC PPT Presentation and notes compiled by Mary Gaiski, Executive Director, PA)

On September 8, 2015 HUD published the On-Site Completion of Construction Rule, which allows new manufactured housing that is substantially completed in the factory to be completed at the final installation site, rather than in the plant, providing the completed site work brings the home into conformance with the Manufactured Home Construction and Safety Standards – 24 CFR 3280.

What started out as an attempt to reduce the need for the cumbersome approval processes under the Alternate Construction program (AC), the On-Site Completion of Construction Rule (SC) promises to be even more cumbersome for manufacturers, third parties, retailers and consumers alike. Additionally, added inspections and paperwork will equate into higher costs, which ultimately will be passed on to the consumer.

Most of the SC Rule is found in 24 CFR 3282, Subpart M, and goes into effect March 7, 2016. It does not apply to manufactured homes that will not comply with the standards upon completion, or when a major section or assembly of a manufactured home is to be constructed on-site. Though SC approvals can be obtained prior to March 7, 2016, HUD made it very clear that SC homes cannot enter into the first phase of construction until March 7, 2016.

Though the Rule goes into effect on March 7, 2016, anticipating implementation challenges, HUD announced at the recent Manufactured Housing Consensus Committee (MHCC) meeting, **they will allow a 6-month transition period, March 7 – September 7, 2016.** After much discussion, the MHCC passed a resolution asking HUD to extend the transition period from 6 months to 12 months. During a presentation (outlined below), HUD made it very clear that manufacturers will not have an option of deciding if they want to continue to produce homes under the typical AC process versus transitioning to the SC process. HUD is taking the position that most homes built under the current AC program will be required to transition into the SC program.

The following are examples of activities which HUD would consider appropriate work scopes for On-Site Construction (SC):

- Site construction of a fireplace hearth that cannot be completed in the factory because it spans the mating line of a multi-section manufactured home.
- Site construction of exterior French doors that cannot be completed in the factory, due to potential damage during home shipment.
- Site completion of roof dormers including windows in dormers that cannot be completed in the factory, due to shipment height limitations.
- Site construction of hinge roofs and eaves not considered to be installation as defined under §3280.305(k).
- Site construction of siding not considered close-up, such as stone, brick, stucco, or other materials that cannot be installed at the factory, due to transportation challenges.
- Site construction of limited, specific building components, such as an appliance and/or fireplace, provided they are listed or certified for use in manufactured homes (may be provided by the retailer, purchaser, manufacturer).
- Site construction of sidewall bay windows or tiled tub surrounds that cannot be completed in the factory, due to potential damage during transportation.

The following are examples of activities which HUD would consider appropriate work scopes for Alternative Construction (AC):

- Homes which will not comply with the standard, or for which, there are no federal standards:
 - Two story home designs;
 - Accessible showers;
 - Homes without floor insulation installed over heated basements;
 - Tank-less water heaters;
 - Homes that exceed 2571 square feet, due to whole house ventilation (WHV) requirements;
 - Homes with less than 40-amp power supply;
- Homes which require significant work on site which is not deemed substantially completed in the factory:
 - Triple section homes with center section roofs installed at the site;
 - Add-on garages.

Anticipating confusion between activities which fall under the new on-site construction rule, and activities normally performed as part of installation, HUD has provided the following list, in hopes of minimizing confusion.

- ❖ Peak flip and peak cap roof completion for low slope (less than 7/12), Wind Zone I
- ❖ All low slope (less than 7/12) hinged roof completion for Wind Zone I only
- ❖ Exterior siding close up at mating line
- ❖ Chain hung lighting fixture completion
- ❖ Completing ceiling suspended fans
- ❖ Exterior lighting fixture completion
- ❖ Duct connection between home sections
- ❖ Main power supply connection and section crossovers
- ❖ Dryer venting completion
- ❖ Range cooktop exhaust termination vent
- ❖ Plumbing connections between halves
- ❖ Gas line connection between sections
- ❖ Mate line gasket
- ❖ Floor, roof, wall interconnections

Manufacturers need to be working with the Primary Inspection Agencies now to review expiring and current AC approvals for possible transition to SC approvals. Once an SC approval has been approved to replace an AC approval, the manufacturer is required to notify HUD in writing. Manufacturers also need to determine if changes need to be made to their installation instructions regarding inspection of any peak flip or peak cap roof systems in Wind Zone I.

In addition to the new 24 CFR 3282 Subpart M, several other sections of 3280, 3282 and 3285 will be affected as well. They are:

§3280.5(c) Data Plate – requires the data plate on an SC home contain information, if applicable, stating that, except for the components completed on-site, the home has been substantially completed in accordance with an approved design and has been inspected in accordance with the Construction and Safety Standards.

§3280.305(k) Attic Loads – establishes Attic Load requirement

- For homes with roof slope of 7/12 and greater, the area of the attic floor meeting ceiling height and living space requirements must be designed for 40 PSF for live loads, and all loads must be carried through to the ground.
- For homes with roof slope less than 7/12 that contain an attic access or for portions of roofs with slopes 7/12 or greater that do not meet ceiling height and living space requirements, they must be designed for a storage live loads of 20 PSF.

§3282.252 – Modifies terms of prohibition of sale to accommodate homes with SC approval

- This modification indicates that for homes built under Subpart M, the sale is not considered complete until the purchaser or lessor is provided with a final site inspection report.
- It is noted that if the retailer agrees to provide installation as part of the sales agreement, the sale is also not considered complete until the installation is complete.

§3285.801 – Exterior Close Up – completion of the “peak cap” and “peak flip” roof construction is permitted to be completed as installation work if the roof slope is less than 7/12 and is designed for Wind Zone I only.

Stakeholder Responsibilities during the Pre-Construction State

Manufacturer:

- Develop written request package (designs, QA manual, Consumer Information Notice, etc.) [§3282.603(a) & §3282.608]
- Ensure package contains minimum required contents including IPIA agreements to perform on-site inspections. [§3282.603 & §3282.608]
- Obtain DAPIA approval. [§3282.608]

DAPIA:

- Review and approve or deny written request and retain written record of its action. [§3282.603(b) & §3282.604]
- Stamp or sign each page of approval and ensure that each page as “SC” designation at a minimum. [§3282.603(c)]
- Send copy of action correspondence to HUD and continue to send approvals per ongoing protocol. [§3282.603(c)]

Stakeholder Responsibilities during the Pre-Construction State (continued)

IPIA:

- Review and concur on QC checklist and on-site inspection checklist. [§3282.603(d) & §3282.607(a)]
- Agree to be responsible for site inspections, **which must be done before the homeowner occupies the home.** [§3282.603(d) & §3282.608(b)]

Retailer:

- Must provide Consumer Information Notice **before**, the purchase agreement is signed. The Consumer Information Notice is a brief statement, provided by the manufacturer, of what is intended to be completed on site. [§3282.606(c)]

Contents of DAPIA Approval:

- ✓ Unique site completion numeric identification
- ✓ Identification of work allowed to be completed on-site
- ✓ List of applicable models or indication approval is non-model specific
- ✓ Instructions for completing the on-site work
- ✓ Consumer Information Notice
- ✓ QA manual for on-site completion
- ✓ QC checklist ensuring all instructions and materials are provided
- ✓ Inspection checklist to be used for final site inspections
- ✓ IPIA's written agreement to complete inspections and record keeping
- ✓ Description of the manufacturer's tracking system
- ✓ Any other requirements or limitations deemed necessary by the DAPIA

Stakeholder Responsibilities during Factory Construction and Inspection

Manufacturer:

- Include "SC" as a prefix or suffix to serial number. [§3282.605(a)]
- Provide appropriate language on Data Plate indicating home built for on-site completion. [§3282.5(c)]
- Provide Consumer Information Notice in or on the home. [§3282.605(b)]
- Report to HUD, through its IPIA, monthly production, copies to SAAs where homes are located (if known). [§3282.605(e)]

DAPIA:

- Issue design and quality assurance manual change approvals as may be necessary. [§3282.361(b) & §3282.361(c)]
- Monitor approval and act as may be necessary. [§3282.604 & §3282.609]

IPIA:

- Oversee the effectiveness of the manufacturers QC system, including adequacy and effectiveness of use of in-plant checklists. [§3282.607]

Stakeholder Responsibilities during On-Site Construction and Inspection

Manufacturer:

- Notify the IPIA to arrange for its inspection. [§3282.608(c) & §3282.608(l)]
- Provide its inspection report to the IPIA within 5 days of completing the report. [§3282.605(d) & §3282.608(m)]
- Inspect all aspects of on-site construction per its QA manual. [§3282.605(c) & §3282.608(k)]
- Retain the DAPIA approved QA manual, instructions for completing the work, and the approved inspection checklist, at the job site until all work is complete and accepted by the IPIA. [§3282.608(e)]
- Provide its inspection report to the IPIA within 5 business days of completing the report. [§3282.605(d) & §3282.608(m)]

DAPIA:

- Issue design and quality assurance manual change approvals as may be necessary. [§3282.361(b) & §3282.361(c)]
- Monitor approval and act as may be necessary. [§3282.604 & §3282.609]

Stakeholder Responsibilities during On-Site Construction and Inspection (continued)

IPIA:

- Verify the manufacturer's quality control system to make sure on-site work is functioning and being followed. [§3282.607(c)]
- Inspect all the on-site work using the DAPIA-approved inspection checklist. [§3282.603(d) & §3282.607(c) & §3282.607(d)]
- Red tag any non-conforming home and re-inspect until it is satisfied that the manufacturer is conforming to the conditions of the approval. [§3282.605(d)]
- Notify the manufacturer of its rejection or acceptance of the manufacturer's final inspection report by either issuing its own inspection report or by indicating in writing, within 5 days of preparing its report, that it accepts the manufacturer's inspection report. [§3282.605(d) & §3282.607(c) & §3282.607(e) & §3282.607(f)]
- Monitor the manufacturer's system for tracking homes from factory production through site completion and final inspection of the homes. [§3282.607(c)]

Contents of the Final On-Site Inspection Report:

- ✓ Name and address of manufacturer
- ✓ Serial number(s) of the home
- ✓ Address of the home site
- ✓ Name of person/agency responsible for the manufacturer's final site inspection*
- ✓ Name of person/agency performing inspection on behalf of IPIA
- ✓ Name of the person responsible for accepting the manufacturer's final inspection report
- ✓ IPIA's name, mailing address, telephone number, email address
- ✓ Description of the work performed on site and the inspections made
- ✓ Verification that any problems noted in either inspection report were corrected before issuing certification of compliance
- ✓ Certification by the manufacturer of completion in accordance with the DAPIA-approved instructions and that the home conforms with the approved design or as appropriate to the construction and safety standards
 - The manufacturer can authorize another person/agency (retailer, installer, etc.) to do their inspection on their behalf. However, it cannot be the IPIA.

Stakeholder Responsibilities Post On-Site Construction and Inspection

Manufacturer:

- Provide a written certification to the lessor or purchaser, when all work is completed, that each home, to the best of its knowledge and belief, is constructed in conformance with the Construction and Safety Standards. [§3282.608(g)]
- Within 5 business days after the date the IPIA provides its approval of the manufacturer's final site inspection report, the manufacturer must provide a copy of the inspection report, prior to occupancy, to the purchaser or lessor, retailer, or any other person that performed the work. [§3282.605(d)]

Retailer:

- Understand that for purposes of manufacturer and retailer responsibilities under the Act, **the sale is not considered complete until the manufacturer provides the purchaser or lessor a copy of the IPIA-approved or accepted final site inspection report and certification of completion.** [§3282.252 & §3282.606(d)]

Stakeholder Responsibilities for Recordkeeping and Reporting

Manufacturer:

- Maintain all records at the factory of origin. [§3282.608(n) & §3282.608(q)]
- Report on its monthly production reports, in addition of all date reported, a brief description of the work to be completed at the site. [§3282.552 & §3282.608(o)]
- Provide cumulative quarterly production reports to HUD. [§3282.608(p)]
- Maintain in its records for 5 years after date of sale, an indication that the final site inspection and certification of completion has been provided to the lessor or purchaser and as applicable to the retailer. [§3282.606(d)]
- Responsible for paying costs of IPIA inspection. [§3282.608(d)]

Stakeholder Responsibilities for Recordkeeping and Reporting (continued)

DAPIA:

- Maintain approvals for at least 5 years. [§3282.604(c)]
- Revoke or amend approvals as may be necessary. [§3282.604(d)]
- Review approvals every 3 years or more frequently if there are changes made to the Manufactured Housing Construction and Safety Standards (MHCSS) to verify continued compliance with the Standards. [§3282.604(e)]

IPIA:

- Maintain records of all site inspections made for 5 years. [§3282.362(d) & §3282.607(f)]
- All reports must remain available for inspection by SAA or HUD in its central records office. [§3282.607(f)]
- Report to HUD, the DAPIA, and the manufacturer if one or more homes are not inspected prior to occupancy or if manufacturer is not making arrangements for site inspections. [§3282.607(g)]

Retailer:

- Maintain record of manufacturer's inspection that it will receive from manufacturer within 5 days of IPIA's acceptance of manufacturer's inspection report (recommended at least 5 years).

Enforcement Provisions

Section 3282.609

- The DAPIA or Secretary may revoke or amend, prospectively, any approval when it determines:
 - 1) noncompliance with terms of the approval,
 - 2) approval was not issued in conformance to requirements,
 - 3) a home produced under the approval fails to comply with the MHCSS or contains an Imminent Safety Hazard,
 - 4) manufacturer fails to make arrangements for inspection by IPIA prior to occupancy.
- The DAPIA must immediately notify the manufacturer, the IPIA, and HUD of any revocation or amendment.

Section 3282.610 – Failure to comply with procedures of this Subpart.

- HUD may prohibit any manufacture or PIA from using these procedures, found to be in violation of the requirements of this section.
- Repeated infractions may be grounds for suspension or disqualification of a PIA.

In general, manufactured homes built under the On-Site Completion of Construction Rule must bring the homes into compliance with MHCSS, and must be substantially complete with limited on-site completion for items that cannot reasonably be completed at the factory. Additionally, the sale is not complete and the home cannot be occupied until **all** goods and services are provided, which includes the required inspections by the manufacturer and the IPIA.