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## Next Step Network Written Testimony | SB 484

Friday, March 1, 2024

Re: Land Use - Affordable Housing - Zoning Density and Permitting (Housing Expansion and Affordability Act of 2024)

I want to thank the members of the Education, Energy, and the Environment Committee for the opportunity to comment on this proposed legislation.

My name is Grant Beck, and I represent Next Step Network, a nonprofit social enterprise working to create affordable homeownership opportunities for everyone by leveraging high quality, energy-efficient manufactured homes. I am pleased to be testifying in favor of SB 484, the Housing Expansion and Affordability Act of 2024.

Maryland, like the rest of the country, is an extraordinary housing market with supply at historic lows and prices are at historic highs. According to the Maryland Association of Realtors, the median home price in 2023 was almost \$400,000 (a 7.5 percent increase from 2022) and active inventory was a little 8,099 units.<sup>i</sup> Manufactured homes are uniquely positioned to bridge the affordability and supply gap for entry-level and middle-tier housing.

According to new research from the Joint Centers for Housing Studies at Harvard, manufactured homes titled as real property and meeting certain quality and energy efficiency standards represent between a 14 to 20 percent cost savings compared to site-built homes – dependent on land costs.<sup>ii</sup>

These savings translate directly to lower purchase costs for homebuyers. At the same time, the government-sponsored enterprises – Fannie Mae<sup>iii</sup> and Freddie Mac<sup>iv</sup> – offer mortgage products for manufactured homes comparable to site-built homes. By imposing robust collateral standards and requiring site-built comparables for appraisals, the Enterprises are elevating this housing stock as tool for affordable homeownership.

This catalyst in housing finance is driving innovative approaches to solving the supply and affordability crises. However, zoning challenges – often tied to NIMBYism and outdated perceptions of this housing stock – remain a barrier for increasing affordable housing supply using this ready-made channel.

Zoning reform, as proposed, can drive more affordability by eliminating one of the hurdles – local planning commissions. Maryland would join other states – including California and Oregon – in being a forward-thinking leader in innovative approaches to housing supply. And Marylanders are already embracing this solution.



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Next Step is working with EquityPlus, a mid-Atlantic developer, on a 239-unit greenfield development project within the city limits of Hagerstown.<sup>v</sup> The homes of Kilpatrick Woods will be priced to meet the needs of homebuyers making 80 to 120 percent of AMI and will beat the cost of comparable new site-built homes by tens of thousands of dollars.

Buyers will have access to housing counseling and other educational services as needed, so that we can better serve low-income buyers, and the homes will meet or exceed ENERGY STAR<sup>®</sup> standards to ensure long-term affordability and sustainability. These homes can be built as a part of new subdivisions, or as a way to address infill housing needs in Maryland's neighborhoods and communities. Other success stories of this work across the country include affordable infill development in the Inland Empire of Southern California, and in a Historically Black Neighborhood of Petersburg, Virginia.<sup>vi</sup>

For nonprofit developer Neighborhood Partnership Housing Services (NPHS), the economies of scale inherent to manufactured home production allowed for more infill housing development in San Bernardino, California. In 2019, NPHS found that the cost of developing using a manufactured home was about 25 percent less than site-built homes. For example, it cost NPHS approximately \$275,000 to construct a 1,400-square foot three-bedroom and two-bath manufactured home with a two-car garage. A site-built home with the same configuration and similar amenities would have cost approximately \$346,000.<sup>vii</sup>

The opportunity for Maryland extends beyond increasing homeownership. In 2022, Maryland ranked 45th in manufactured home shipments, with neighboring Virginia ranking 24th.<sup>viii</sup> There are also no dedicated homebuilding facilities currently in Maryland.

With passage of this legislation, Maryland can position itself as a leader in innovating with manufactured housing and attract the largest homebuilders in this space to bring well-paying, manufacturing jobs to the state.

I thank you again for the opportunity to comment, and I hope to see Maryland as a leader in addressing the supply and affordability challenge for homebuyers.

Respectfully submitted,

Grant Beck  
VP, Strategic Partnerships and Policy

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<sup>i</sup> <https://www.mdrealtor.org/News-and-Events/Housing-Statistics>.

<sup>ii</sup> <https://www.jchs.harvard.edu/research-areas/working-papers/comparison-costs-manufactured-and-site-built-housing>.

iii <https://singlefamily.fanniemae.com/originating-underwriting/mortgage-products/manufactured-housing-financing>.

iv <https://sf.freddie.mac.com/working-with-us/origination-underwriting/mortgage-products/choicehome-mortgages>.

v <https://www.freddie.mac.com/about/addressing-housing-needs-growing-workforce-manufactured-homes>.

vi <https://www.fastcompany.com/91003996/the-housing-solution-hidden-in-plain-sight-that-maryland-and-mississippi-are-embracing>.

vii <https://nextstepus.org/innovating-off-site-construction/>.

viii <https://www.census.gov/data/tables/time-series/econ/mhs/latest-data.html>.



Top – Examples of modern manufactured homes built by Clayton (photo credit: Clayton).

Below – Examples of manufactured homes in San Bernardino, CA, and Moorehead, KY.

