

When encountering a builder developer for the first time the MHP may be uncertain whether to wear a marketing hat and push the product, or exercise caution until it is certain that the project is worth the effort. **Most important to remember in all dealings with a builder/developer is that you are working to cultivate trust to foster a long-term relationship, potentially leading to many projects.** It will most likely require flexibility on your part and a willingness to investigate new options for your product.

Senior management interested in capturing a portion of the developer market should establish operating guidelines for plant personnel to follow when working with developers. This includes policies on dealer conflicts and on design variations. In the normal course of producing and distributing homes through the dealer system, every manufacturer knows every dealer in the market. Detailed statistical sales data is in the hands of all plants. In contrast, most developers who show up at the factory with a rolled-up set of plans are unknown to the factory people. Plant managers would benefit from the following:

- Guidelines on qualifying developers and prospective developments. Staff should receive instruction on how to determine whether the builder/developer is capable of carrying out the project, whether the project has insurmountable barriers (political or physical), and whether it appears to be economically feasible.
- Information on how to ask for and verify the financial structure of the prospect.
- Direction on judging whether the project will ever generate any orders for the plant and when it is likely to do so.

Based on this qualification and prioritization process, the plant can determine whether and when to devote company resources to a prospective development. Manufacturers who have not done their homework may find that a development evaporates after they have spent a significant amount of money and time on design and engineering for the project.

The manufacturer's engineering staff should be more involved with developer discussions at an early stage. Many of these staff members are aware of how HUD-Code homes are being used in conventional development and can provide early guidelines that will help set the breakpoint between what is to be built on line and what will be finished in the field.

Manufacturers can communicate better with the developer by creating a standard form that

the developer can use to express preferences for products. The document would offer guidelines on what can and cannot be done, limitations on specifications, and how to accurately describe the developer's envisioned product to the plant.

Manufacturers can gain greater insight into a developer's needs by visiting the developer's project during each phase of the work. This would help to confirm if certain specifications or finishing techniques typically used for manufactured homes are less appropriate for certain builder/developer projects.

Individual manufacturers can become pro-active and streamline their own alternative construction letter process and support further industry efforts to make it less cumbersome.

Taking some or all of these actions would help plant personnel to provide more direct and useful responses to developers when discussing potential projects.

BUILDER/DEVELOPER CONTACTS MANUFACTURER

When approached by a builder/developer about working on a project, try to determine if the customer is simply exploring, has decided to negotiate with you based on your reputation or a recommendation, or is contacting a number of potential suppliers (the usual case). In any case, do not assume that you have the job — selling is appropriate from the beginning.

When talking with a builder/developer, you should first discuss what their expectations are, and how they will bear on the specifics of the product you provide, as discussed in Chapter 2: Key Negotiating Issues. It is not wise to lecture site builder/developers on the merits of cost-saving measures commonly used in HUD-Code homes; rather, treat these for what they are: ways to save cost that may or may not appeal to the builder/developer's customers. In the end, you are selling to the builder/developer's customer through the builder/developer. He or she cannot do much about the desires of the customer, but you can help by providing options and new perspectives based on your own understanding of customer preferences. Make sure, however, that you are talking about similar customers, as different buyer groups often have radically different responses to cost-saving measures.

MANUFACTURER APPROACHES BUILDER/DEVELOPER

Using the information in this guidebook, plus your own experience and enthusiasm, you may wish to reach out to builders and developers to expand your market. Obviously, this is easier to do after you have at least one project under your belt as an example, especially if you have good publicity material describing the project. An informal approach to someone you know may be the easiest way to generate a customer, perhaps through a business group or social club. If broadcasting inquiries, it pays to hire a consultant familiar with the site-building industry, to insure that your approach hits the mark and reaches key decision-makers. Another alternative is to become involved in programs such as conferences, seminars, or demonstration projects through the Manufactured Housing Institute (MHI), the Manufactured Housing Association for Regulatory Reform (MHARR) and/or the National Association of Home Builders (NAHB).

MANUFACTURER RESPONDS TO AN RFP

Although this is not a common approach, on occasion a builder/developer, a non-profit or a government entity may circulate a request for proposal or RFP. An RFP asks for information about how a manufacturer will perform the work, complete the job in the time allotted, and the cost of the job. An RFP will also ask for a statement of qualifications for general performance, how long your company has been in business, your experience on comparable projects, your average unit sales, business references, and specific performance requirements. Care should be taken in preparing a proposal. If the project described in the RFP is feasible to you (the site is not too far, for example, and the plant has spare capacity), it should be examined in detail. Unless prepared by a seasoned professional, the RFP may "reach for the stars" in the belief that you don't get something you don't ask for. In these cases, many "requirements" turn out to be wishes that can be disposed of during negotiations. On the other hand, professionally drafted RFPs may be based on a clear understanding of the issues and express exactly what is required, with little room for negotiation.

Before responding, contact the agency or company that issued the RFP and tactfully attempt to find out to what extent the requirements are negotiable. In doing this, it is important to emphasize that you are not attempting to "get around" requirements, but simply wish to sub-

mit the most cost-effective response. If the project still seems worth pursuing, a good approach is to respond to the RFP completely, carefully noting all exceptions from the requirements you feel are necessary, and expressing enthusiasm about the project.

If the RFP requires a price quotation, be sure to have all the information you need before pricing. Typically, the developer issuing the RFP will want to avoid extensive communication with any particular bidder in order to guarantee an unbiased appraisal. Otherwise, the negotiations that can foster a truly cooperative and creative project will not happen. Instead, exceptions to the requirements will be needed. Each exception reduces your chances of winning the competition; yet if each exception is matched with a cost reduction, you may remain competitive. Rather than quoting the lowest cost and showing an add-on for not omitting your exceptions to the requirements, quote as close to the requirements as possible, then show the savings from adopting each exception you want. Make sure you do not quote for work that you cannot perform or that you cannot estimate accurately.

KEY CONSIDERATIONS

Do You Understand the Site-Built Industry?

In order to serve this market, you need to understand the way business is typically conducted by site builder/developers. Familiarity with the product needs, zoning issues, land-use strategies and risk levels typically encountered in site-built development will greatly help a manufacturer break into this market. There are many resources used by site builder/developers that may prove helpful in your research, including periodicals and web sites of the site-built industry, such as *Builder Magazine*, online at <http://www.builderonline.com> and *Professional Builder Magazine*, online at www.probuilder.com, and the National Association of Home Builders, on line at <http://www.nahbrc.com>

Does the Builder/Developer Understand the HUD Code and HUD-Code Homes?

The better a developer understands the process of producing and shipping manufactured homes, the more likely the project will run smoothly. A primer on the salient features of manufactured homes and the industry in general for the developer is strongly suggested. The accom-

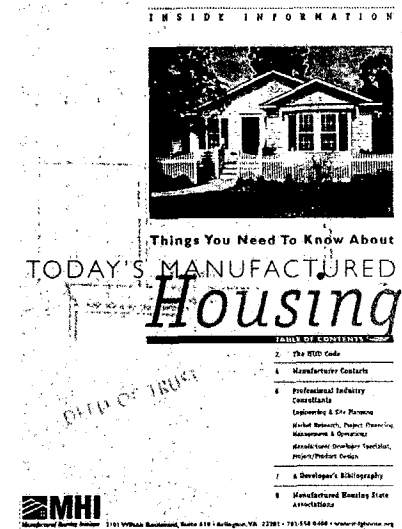
panying guide to this book, HUD's *Home Builder's Guide to Manufactured Housing* is an appropriate resource to start with, as well as MHI's booklet, *Today's Manufactured Housing: Inside Information, Things you Need to Know About Today's Manufactured Housing*. A plant tour should also be part of the builder/developer's education in HUD-Code housing. This will greatly enhance the developer's understanding of HUD-Code housing design, quality, flexibility and assembly processes. Key issues to cover with a builder/developer are:

- How a HUD-Code home is produced.
- How a HUD-Code home is inspected, and by whom.
- The administrative process and time frame involved in changing HUD-Code homes.
- Zoning issues associated with HUD-Code homes and communities.
- How a HUD-Code home is delivered and installed.

What Information Will the Builder/Developer Want from a Manufacturer?

The information sought by the builder/developer with respect to your business will include the following:

- Unit designs: What you are currently building and how flexible you might be.
- Plant capability: What mix of home sizes and configurations do you offer.
- Changes from standard designs: These can have an impact on three levels in descending order of disruption: changes to the structure and envelope; changes within the envelope to partition walls and spaces; and changes to finishes and materials. Often a developer will request finishes and fixtures that blend different specification levels. This mixing can cause delays on the production line and be cumulatively significant.
- Delivery radius: How close are you to the project site. Obviously, the closer your plant is to the potential project, the less the developer pays for transportation. By providing a product not available from other manufacturers, plant distance becomes less of a deciding factor.
- Financial and business information: This is especially important if the MHP is not one of the 12 public firms, from which such information can be easily obtained.
- Financing information: What are the payment terms. Options are discussed further in the financing section of Chapter 2.



MHI's booklet, *Today's Manufactured Housing*.

- Delivery times: Lead time between order placement and delivery.
- Capacity: Rate at which units for the project can be produced and delivered.
- Cost information: Breakdown of costs for options, for site verses plant-installed items, for custom designs, etc.

Why Is the Builder/Developer Interested in Manufactured Housing?

Developers have a variety of reasons for considering manufactured homes. Using HUD-Code construction should lower the builder/developer's costs, or in some other way promise a competitive advantage. Your prospective customer may approach you with one advantage in mind, unaware of the other advantages of HUD-Code construction. It is important that the prospective client understand all the possible reasons for incorporating HUD-Code elements in his or her homes, since one advantage can be traded against another. The builder/developer may be interested in offering the buyer a comparable product to site-built at a lower price, a better product at a similar price, or a less desirable product at a significantly lower price.

In the unlikely case where a manufactured housing product costs more than its site-built version, it may offer other compensating advantages: the use of factory-built components may solve a labor shortage or help the developer meet a tight deadline. Other advantages of using of manufactured homes may include:

- Hard cost savings
- Accelerated schedule
- Less labor needed on the job site
- Reduction of on-site theft
- Fewer on-site administration and management duties
- Fewer call-backs and warranty costs
- Increased density (if used in land lease)

Hard Cost Savings

This is often the least understood perceived advantage for using manufactured homes in lieu of stick building. Savings in hard costs are highly dependant on the cost of stick building in the

area where the homes are to be placed; on the number of homes being built; and on the design of the homes themselves. A good source for the comparative costs between site-built and HUD-Code homes is HUD's publication, *Factory and Site-Built Housing: A Comparative Analysis*.

The consistent application of best practices permitted under the HUD Code means that wholesale prices for similar HUD-Code homes built around the country will be very close to each other (after deducting the manufacturer's promotions, rebates, and capital costs). Minor differences will be caused by higher or lower factory overhead costs based on location (high in California, low in Texas), but since manufacturing overhead usually constitutes 10% or less of the manufacturer's wholesale selling price, its impact is low.

In contrast, stick building costs are highly variable, depending on the city in which the construction takes place. If a city has high housing or rent costs, labor must demand more for the cost of living. If local government imposes high business overhead costs, it will affect everything from supplies to fuel to telephone and security costs. Everything flows through to the cost of construction. In this comparison, land costs, permit fees, or local government mitigation charges are not included, which would be paid whether one is employing manufactured homes or site-built homes.

Some local on-site costs will affect the manufactured home (foundation, garage, etc.), but by a relatively small amount.

Therefore, using a manufactured home in a high-cost environment makes sense but in a low-cost environment great diligence and care must be exercised to meet cost-savings goals.

Accelerated Schedule

Shorter construction time is almost always a winning proposition. However, time cannot be saved on site if there are no schedule controls (this sometimes happens when the first home arrives at a project before a work routine is established). With a disciplined crew at the site, homes can be installed, garages and porches built, utilities finished, driveways poured, and fencing and landscaping completed in 15 to 20 days from the date of the manufactured home's delivery.

Less Labor Needed on the Job Site

Less labor is needed on the job site especially if the contractor defines tasks that can be

handled by multi-disciplinary personnel. A trend is growing, especially in regions where manufactured homes are being used more frequently in subdivisions, for contracting companies to hire and train people to perform several different tasks. For example, one person may be capable of cutting and threading black pipe for gas, hanging drywall, and seaming carpet. Another may do carpentry and electrical work, or paint walls and dress concrete.

In the mid-1980s in California, in recognition of the wide ranging but brief chores needed to place and finish a manufactured home, the Contractors State License Board created a new license category, the Manufactured Housing General Contractor (C-47). A holder of this license, and his or her employees, may pull permits for and perform all trades needed to set and finish a home. It is no longer necessary to subcontract to, for example, a licensed electrical contractor to make the necessary connections, or to wire a garage. Such licensing is likely to be adopted by other states.

Reduction in Risk of On-site Theft

Because the home can be closed in on the same day it is delivered, HUD-Code construction can be a great benefit in high-crime areas. Costs for fencing, guards, and other precautions can be reduced or eliminated.

Reduced Administrative Costs

Many builder/developers have the desire to reduce the size of their own companies by harnessing the factories to do many of the things they now must pay a work force to do. The consolidation of work in the manufactured housing plant essentially brings all of the builder/developers/subcontractors under one roof. This reduces administrative costs in the office and management tasks in the field.