

**Small Business Economic Impact Statement
Memo**

**Chapter 296-150I WAC, Manufactured Home
Installer Training & Certification; and
Chapter 296-150M WAC, Manufactured
Homes**

Date: September 7, 2021

- 1. Describe the rule, including: a brief history of the issue; an explanation of why the rule is needed; and a brief description of the amendments that would impose new or additional costs on affected businesses, including small businesses.**

The Factory Assembled Structures (FAS) Program (the program) within the Department of Labor & Industries (L&I) is proposing an update to chapter 296-150I WAC, Manufactured Home Installer Training & Certification Program, and chapter 296-150M WAC, Manufactured Homes. This rulemaking was initiated by the FAS Program to (i) update existing rules for compliance with U.S. Department of Housing and Urban Development (HUD) regulations; (ii) address findings from the review of the FAS rules and standards for manufactured housing installations (SEBA report) with necessary revisions to existing rules for L&I to meet its contractual obligations; and (iii) make other general rule updates.

In 2017, SEBA Professional Services LLC (SEBA) reviewed the FAS installer program rules and standards for compliance with the HUD regulations (the “SEBA report” or the “report”).¹ The review identified six (6) findings, three (3) of which require revisions in order for the FAS rule to be fully compliant.

This rulemaking addresses the first three findings as below:

1. The state’s procedure that allows homeowners to install their own manufactured homes does not ensure that trained and certified installers certify every installation of all new manufactured homes.
2. The installation standard adopted by the State of Washington needs to delete all references that allow for installations that have not been approved by the manufacturer of the home and its associated DAPIA (24 CFR Part 3285.2 and 24 CFR 3285.3), and all code provisions or references to the ANSI 225.1 Standard that do not meet the minimum requirements of the Model Manufactured Home Installation Standards (24 CFR Part 3285) (i.e. omission of the ground cover (vapor retarder) in paragraph (1)(k), et cetera).

¹ As part of the agency’s contract with HUD, HUD’s subcontractors regularly audit the various functions which are subject of the rulemaking. In 2017, SEBA Professional Services LLC (SEBA) reviewed the department’s FAS installer program rules and standards for compliance with HUD regulations, and identified 6 findings that require revisions in order for the program to be in full compliance.

3. The State of Washington’s installation program omits site preparation from the responsibilities of the installers, and therefore is not in full compliance with the installation standards (24 CFR Part 3285.107(a)).

During follow up conversations with HUD, finding 4 was rescinded and does not require changes. The program has determined that finding 5 is in error and that L&I conforms to federal rules on the issue. Due to the nature and scale of the sixth finding, the program has determined it would not require rule changes, but will need to be addressed with HUD at a later date, so it is not part of this analysis.

To support the development of this rule, L&I held seven (7) stakeholder meetings (in-person and via Zoom), from May 2019 to November 2020. At these meetings, stakeholders discussed the findings from the SEBA report related to chapters 296-150I and 296-150M WAC.

The proposed amendments will adopt clarifying language, new definitions, and new sections needed to bring the current rules up-to-date and in compliance with HUD regulations. In addition, the proposed amendments will help L&I meet its contractual obligations and federal mandates, increase compliance of federal requirements, and enhance consumer protections.

The following are the main proposed amendments in this rulemaking:

WAC 296-150I-0010:

- Add clarity to the scope of the rule in accordance with chapter 43.22A RCW and RCW 43.22.440.

WAC 296-150I-0020:

- Add the following new definitions: *Approved homeowner, Authorized representative, Bottom board, DAPIA, Dealer, Final infraction, HUD, and IBTS.*
- Create new subsections (16), (17), (21), (22), (24), and (26), and add the respective new definitions: *Installation, Local enforcement agency, Mobile home, Notice of infraction, Retailer, and Vapor retarder.*
- Repeal the following definitions: *Compliance inspector, Extension of the pressure relief valve for the water heater, and Mobile or manufactured home installation.*

WAC 296-150I-0100 through 296-150I-0160:

- Relocate an existing rule to a new section, WAC 296-150I-0105 “Manufactured home installation – Specialty work by licensed electricians and plumbers.”

- Edit language for clarity and consistency.
- Edit subsection (1) in WAC 296-150I-0110 to require homeowners to attend and pass an installer training class prior to commencing the installation of a manufactured home.
- Edit subsection (1) in WAC 296-150I-0130 to require the home installer to verify the acceptability of the site preparation before commencement of work.
- Edit WAC 296-150I-0140 to (i) relocate the requirement that certified installers indicate the installation work performed or supervised on the installer tag; and (ii) add the requirement for homeowners performing their own installation work to purchase a certification tag for use on their home.
- Repeal WAC 296-150I-0150, providing for the sale of installer tags by cities and counties.
- Edit subsection (3) in WAC 296-150I-0160 to include approved homeowners in the installer tag requirements, and to repeal the exemption for homeowners from the installer tag requirements.

WAC 296-150I-0200:

- Amend title to eliminate the question format.
- Edit language for clarity and consistency.

WAC 296-150I-0210:

- Amend title to eliminate the question format.
- Repeal subsection (1)(f) concerning the transfer of unused installer tags to the new owners of a dealership.

WAC 296-150I-0220, 296-150I-0230, 296-150I-0240, 296-150I-0250, 296-150I-0260, 296-150I-0270, 296-150I-0280, and 296-150I-0290:

- Amend title to eliminate question format.

WAC 296-150I-0300:

- Amend title to eliminate question format.
- Edit language for clarity and consistency.
- Add new language to subsection (2)(b) to align with HUD regulations.

WAC 296-150I-0310:

- Edit language for clarity and consistency.
- Edit language for alignment with 24 CFR 3286.803(b)(1): Manufactured home installation standard.
- Add new language for alignment with 24 CFR 3285.203, CFR 3285.1, and 3852.2: Site drainage.
- Edit language to eliminate redundant wording, and to add the requirement that clearance must be at eighteen inches at heat duct cross over locations.
- Add new subsection requiring roof ridge cap or ridge vent to be installed as a required in the manufacturer's installation instructions.
- Add new subsection requiring a carbon monoxide detector be installed in some relocated manufactured homes to conform to HUD requirements in MHCSS 3280.211, effective July 12, 2021.
- Edit language to change the required installation standard from ANSI A225.1 to CFR Part 3285.

WAC 296-150I-0320:

- Amend title to reflect 24 CFR Part 3285 standard, and update the manner in which to obtain a copy of the standard.

WAC 296-150I-0330:

- Amend title to eliminate question format.
- Add new subsection (3) requiring manufactured homes in storage or on display for longer than ninety days to be supported at each column and along each rim joist at support points identified by the manufacturer.

WAC 296-150I-0340:

- Amend title to eliminate question format.

WAC 296-150I-0350:

- Amend title to eliminate question format.
- Edit language to eliminate redundancy and eliminate the chapter 43.22A RCW reference.

WAC 296-150I-0360:

- Amend title for consistency and to eliminate question format.

- Add new subsection (2) mandating that installation work shall not be performed until a permit has been issued from the local enforcement agency.

WAC 296-150I-0370:

- Amend title to eliminate the question format.
- Edit language to first paragraph for clarity and alignment with RCW 43.22A.020, and in second paragraph for clarity and to eliminate redundant wording.

WAC 296-150I-0375:

- Create new section, “State monitoring of manufactured home installations and inspections.”

WAC 296-150I-0380:

- Amend title to eliminate question format.
- Edit language in first paragraph to add that when the manufacturer’s installation instructions are not available for a secondary installation, the installer shall provide an affidavit in lieu of the instruction manual.
- Edit language for clarity.

WAC 296-150I-0390:

- Amend title to eliminate question format.
- Edit language for clarity and consistency.

WAC 296-150I-0400:

- Amend title to eliminate the question format.
- Edit language to replace ANSI standard with 24 CFR Part 3285 – Model Manufactured Home Installation Standards.

WAC 296-150I-0410:

- Amend title to eliminate the question format.
- Relocate for clarity, the requirement that electrical and plumbing repairs shall be performed by a Washington state licensed electrician and/or plumber.

- Add language requiring a DAPIA approved repair plan must be provided to the FAS plan review staff for verification that it is suitable for use.
- Edit language to correct grammar and eliminate unnecessary wording.

WAC 296-150I-3000:

- Edit language to provide the agency with flexibility on penalty decisions.
- Edit language for clarity and consistency.
- Add a new permit fee to reference WAC 296-150M-3000 for Manufactured Home Installation Permit – only in cities and counties that have inspection contracts with L&I.

WAC 296-150M-0020:

- Edit definition of “ANSI” to remove the reference to the ANSI standard to include the address.
- Amends language in the definition of “Department” to correct the mailing address of the FAS Program.

WAC 296-150M-0100:

- Edit language to eliminate reference to the ANSI standard.

WAC 296-150M-3000:

- Add a new permit and fee to the fee schedule: Manufactured home installation inspection permit.

2. Identify which businesses are required to comply with the rule using the North American Industry Classification System (NAICS).

Installation of manufactured homes has various processes which includes site preparation, foundation laying, to home placement and anchoring, and connection to utilities. This is followed by a building inspection. The entire process could take a few weeks to a couple months depending on potential issues such as with size and features of the home, permitting or repair of damaged parts/sections of the home. Table 1 below identifies some of the industries most likely involved in this area.

Table 1. Major industries impacted by the proposed rule²

Industry	NAICS
Manufactured (mobile) home dealers	453930
Manufactured home (mobile home) manufacturing	321991
Lessors of Other Real Estate Property	531190

3. Identify and analyze the probable costs to comply with the adopted rule.

The estimated costs in this analysis, if any, represent only the new costs of complying with the proposed rules for the affected parties, excluding realized potential costs associated with or originating from the current practices, or “baseline” standards under existing laws, rules or national consensus standards. Therefore, the costs that can be attributed to or are insignificantly different from these baseline standards are not analyzed or factored into our estimates.

3.1 Cost of verification of site preparation

The addition of subsection (1) to WAC 296-150I-0130 requires a certified manufactured home installer verify the acceptability of the site preparation before commencing any installation work. This amendment was proposed to address the third SEBA audit finding indicated in Chapter 2.

This proposed requirement is new and would impose a cost upon impacted businesses. In order to assess this cost, L&I must determine the annual number of installations, the amount of time needed to satisfactorily verify the acceptability of the site for each installation, and the total labor cost of completing this task.

Using the historical installation data from the 21 counties and the average growth rate of 5 percent, L&I projects that approximately 18,915 installations will be completed over the next ten years, or 1,892 installations each year (see Figure 1). Based on the processes involved in a site verification, L&I estimates that it would typically take 1-2 hours to perform this task.³ Given the average hourly rate of \$21.43 for a Manufactured Building and Mobile Home Installer, and the expected amount of time needed to comply with this requirement, L&I estimates this

² Certain businesses and workers involved in MH installations may also be involved in residential constructions.

³ The amount of time needed to complete the verification process was estimated by L&I’s internal technical experts.

requirement would impose approximately \$405,349 to \$810,697 upon the affected parties. The annualized cost of this requirement over the projected 10-year period is estimated at \$39,748 to \$79,496 (see Table 2).

Figure 1: Manufactured home installations based on county permit data

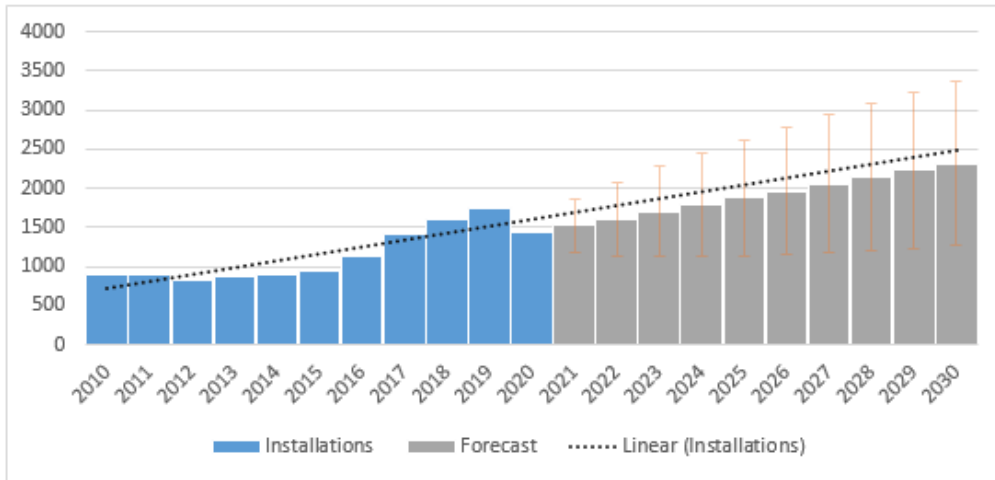


Table 2. Annual cost of site verification requirement

Estimated number of installations over 10 years	18,915
Verification time per installation	1 - 2 hours
Labor cost per hour	\$21.43
Cost of site verification for all installations	\$405,349 to \$810,697
Annualized cost of site verification ⁴	\$39,748 to \$79,496

3.2 Cost of additional support to homes in long-term storage or on display requirement

Requirements for support to homes in storage or in display already exists. The addition of subsection (3) to WAC 296-150I-0330 requires that manufactured homes in storage or on display for more than ninety (90) days must have additional support at each centerline column and along each rim joist at the manufacturer’s identified support points.

This requirement is new and will impose a new cost upon impacted businesses that previously were not subject to this protection measure. In order to assess this cost, L&I must first determine the number of homes in storage or on display for more than 90 days; and second, the average cost of supporting those homes as stated in the subsection.

⁴ Using a 5% discount rate.

Currently there are approximately 30 dealers and a half dozen development companies that act on behalf of dealers in their respective housing communities. To the best of L&I’s knowledge, we believe each of these companies have at least one model of each category of manufactured home on display, so the total number of homes on display would be 108.⁵ L&I also estimates that 3,030 to 3,950 of all homes shipped and produced over the 10-year period would not be immediately installed but be put into some level of storage. Of these, L&I assumes that 90 percent to 95 percent are due to temporary construction delays and are placed in short-term storage. More serious, but less frequent, delays would result in long-term storage. As shown in Table 3 below, the average number of homes in long-term storage is estimated at 5 to 10 percent of total homes not installed. Based on this rate, the number of homes impacted by this requirement is estimated at 152 to 395, or 15.2 to 39.5 each year. L&I estimates the cost for additional support of a home in storage, or on display for ninety (90) days or more, to be around \$1,000 per home.⁶

Table 3. Total cost of home support requirement

Description	Value
Estimated number of homes on display >90 days	108
Labor and material support cost per home	\$1,000
Total cost of support to homes on display > 90 days	\$108,000
Estimated number of homes in storage > 90 days	152 to 395
Total cost of support for homes in storage > 90 days	\$152,000 to \$395,000
Total annualized cost of support	\$39,316 to \$84,048

Based on these cost components, L&I determines that the annualized cost of compliance with this requirement to be around \$39,316 to \$84,048.

3.3 Total quantifiable costs of the proposed rule amendments

As presented in Table 4 below, the total quantifiable costs of the proposed rule amendment is \$557,348 to \$1,205,697, with annualized costs of \$79,064 to \$163,544. These costs are incurred by the impacted industries in different proportions. While NAICS 321991 is not expected to incur any cost related to supporting homes on

⁵ There are currently 3 main manufactured home categories: Single-wide, Double-wide, and Triple-or Multi-wide.

⁶ Based on estimates by L&I’s technical experts.

display or in storage, they are assumed to account for about 50 percent of total site verification costs. On an annualized basis, this is estimated to be \$19,874 to \$39,748. NAICS 453930 is expected to incur about 50 percent of site verification costs for the same annualized amount of \$19,874 to \$39,748. In addition, they are also assumed to incur about 50 percent of total home support costs for an annualized amount of \$19,658 to \$42,024. NAICS 531190 is not expected to incur any cost related to site verification, but is estimated to incur about 50 percent of total costs to support homes in storage or on display, or \$19,658 to \$42,024 annualized. Table 5 displays the annualized and average costs incurred according to their respective impacted industries.

Table 4. Total cost of the proposed rule

Description	Value
Cost of site verification	\$405,348 - \$810,697
Cost of supporting homes on display or storage	\$152,000 - \$395,000
Total costs	\$557,348 - \$1,205,697
Total annualized costs	\$79,064 - \$163,544

Table 5. Cost by industry

Description	NAICS	Value (low to high)
Site verification costs	321991	\$19,874 - \$39,748
	453930	\$19,874 - \$39,748
Additional support to homes in long-term storage or on display	453930	\$19,658 - \$42,024
	531190	\$19,658 - \$42,024

4. Determine whether or not an SBEIS is required, and based on this determination, whether the information provided above is sufficient or additional information is needed to fulfill the requirements in the Regulatory Fairness Act (Chapter 19.85 RCW).

As analyzed above, the cost to small businesses were estimated first for the cost of site verification by determining the number of installations, and the time and cost required to complete a site verification. Second, L&I estimated the cost to support homes on display and homes in storage for 90 days or more by determining the number of homes that would be subject to this requirement and the cost to support each home. Third, L&I allocated the assumed share of each cost to the respective industries. Currently, there is a lack of specific information on how many installations are completed by businesses within NAICS 321991 and those in NAICS 453930. In addition, there is some overlap in installations where some manufactured home dealers also engage in installation work. Without knowing this

exact ratio, L&I relies upon best knowledge and reasonable assumptions to estimate the per-business-cost to businesses in these cost-bearing industries.

When compared to the minor-cost threshold (1% of annual payroll), it clearly indicates the average per-business cost of these proposed rule amendments [for each respective industry] is far below the threshold for businesses in any of the affected industries discussed in Section 2 (see Table 6).

Table 6: Average Cost V.S. Minor Cost Threshold

6-Digit NAICS	Industry description	Average number of firms	1% of annual payroll	Regulatory Cost Per Business (low to high)	
321991	Manufactured home, mobile home, manufacturing ⁷	9	\$4,940.89	\$2,208.22	\$4,416.44
453930	Manufactured, mobile, home dealers	45	\$5,128.13	\$878.49	\$1,817.16
531190	Lessors of other real estate property	377	\$1,210.35	\$51.14	\$111.47
TOTAL		431			

Therefore, an SBEIS is not required for this rulemaking pursuant to RCW 19.85.030(1), and the information provided in Section 1 through Section 3 is sufficient to fulfill the requirements in the Regulatory Fairness Act (Chapter 19.85 RCW). It is also worth noting that the information provided above serves the purpose of making this determination only, and should not be treated as the content of an official SBEIS report specified in RCW 19.85.040 of this law.

⁷ Average number of firms for NAICS 321991 obtained from 2018 data