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North Carolina General Assembly
Joint Legislative Commission on Governmental Operation

RE: Homeowner Recovery Program

Mr. Welch,

Thank you for reaching out to discuss our company's involvement in the Homeowner Recovery Program in North Carolina.

Pennwest Homes is a subsidiary of Commodore Homes, LLC, a division of Cavco Industries, Inc. Our manufacturing facility is located in Emlenton, Pennsylvania, which is about seventy miles north of Pittsburgh. Pennwest began operations in January of 2005. Up to this point all we have produced are off-frame modular single family residential homes and some light commercial buildings. Modulares are not to be confused with HUD housing, aka "manufactured homes" or "trailers".

Modular homes are built to the same building codes as stick-built homes. The main difference is that modulares are built indoors, in a controlled environment. The homes are loaded onto a steel carrier and then transported to the building site. The homes are roughly eighty percent complete when they arrive to the site. The walls are painted, the cabinets are hung, most rooms already have the finished flooring installed. Tubs, showers, lights, vanities, appliances, electric panel boxes, and in some cases a heating system, are also installed.

On site, the home is removed from the temporary steel carrier by the use of a crane and the home is installed onto a permanent foundation. The carriers are then stacked and returned to our manufacturing facility to be used again. The set up crew will connect the home to the foundation, raise the roof to its appropriate height and it is completed and shingled. The set crew will also complete the connections between the sections of the homes at the floor, marriage line, and ceiling. Some set crews will complete the siding, but some builders have a different crew that completes that.

To complete the home, finish crews will install doors, hang drywall at the marriage lines, and ceilings where the units come together. Electricians will tie in the electric panel boxes. Plumbers will connect the water and drain lines and connect them to the outside drains and water inlets. An HVAC company will come in and install a heating and cooling system of their own, or complete the one sent with the home. Any remaining flooring that needs installed and finished at the marriage line is also completed.

When our manufacturing facility is running at full capacity, which is between four and five floors (boxes) a day, we can complete a home in five days – start to finish. The home is sent to the yard where it sits until it ships to the site. Our goal is to not have a home sit in our yard longer than two weeks.

Once the home is set on the foundation, most of our builders are able to secure a Certificate of Occupancy within 30 to 60 days, depending on the size and complexity of the home.

Pennwest Homes is one of the most successful modular home producers in the Northeast US. We ship homes as far as Maine and as far south as North Carolina. Our primary distribution base is made up of ‘street retailers’, who sell the homes to customers on scattered lots. We also sell to communities, developers, and special projects.

We have a published offering of Ranch, Cape, and Two Story plans that are engineered for maximum efficiencies and material usage. But, our plant has the ability to do custom plans too. We have a team of in-house drafters who work hand in hand with the sales team. Through the builders, customers will provide plans that we redraw to our sizes and specifications. Some are modified stick-built plans, some are from hand drawings, and some are designs are from our competitors. Custom plans can create some complications. They may not turn out exactly like the customer expects, and sometimes we can't be as efficient building them as stock plans.

Modular homes have a lot of advantages.

1. They are built indoors, away from the elements. The materials stay dry, the workers can work every day, and aren't affected by the weather.
2. Materials can be purchased in bulk because there is so much buying power. For instance, our company has 31 factories in North America. We can get materials cheaper than a normal site builder that may only build a few houses a year.
3. The quality control process is very strict. We have supervisors inspecting their people's work, we have an in-house QC department that does inspections, and we have a third party inspection agency who approves the drawings and inspects homes

in the plant multiple times a week. In typical stick building, an inspector has to travel from town to town to conduct inspections. Our inspections happen side by side throughout the 21 stations in the plant.

4. We also build the homes very strong. They have to be over-built in order to get hauled down the road from our facility to the site. They arrive in great condition and sometimes don't even have any drywall cracks.
5. Our laborers are specialists, of sorts. We have a few people in the plant who have the ability to do almost everything, but the majority of the workers are assigned to a job and do it all day long. A drywaller, installs mud and tape all day. The framers are carpenters. The cabinet shop makers only make cabinets. It's like this with all departments. They become experts at their craft.

I don't want to oversell what we do. The homes are still made by humans and we make mistakes, but we have systems in place to remedy those mistakes. We have a Service department that works with the builders to get them necessary parts for repairs, and schedule technicians to complete service work that the factory is responsible for.

We were introduced to North Carolina's Homeowner Recovery Program in late 2021 by our Vice President of Sales and Marketing, Don Strick. At the time, we had a large backlog and were not in a position to take on additional business. Sales slowed down so we pursued the project. We received the proposed plans in June 2022 and began speaking with them about building them homes. They were eager to get product and we were eager to build it. The plans they submitted were originally stick-built plans that were customized to be built in the modular home factories.

We were not certified building in North Carolina, so we had to go thru that process. The first step was for the NC Department of Insurance Manufactured Building Division to approve the print package. Once the prints were approved, we were able to put the homes in a schedule. When the homes went on the production line, North Carolina sent an inspector to work with our production team, the QC department and our third party agency. Shane Phelps conducted on-site inspections on two separate occasions, before turning over the inspections duties to our third party agency. Shane and everyone we interacted with at the Department of Insurance have been the consummate professionals.

To date, we have sold Rescue Construction fourteen homes.

- Three have shipped and we have been paid for them.
- Seven have shipped and we are waiting for payment. Three of the seven are considered "Past Due" because they are older than 90 days awaiting payment.
- Four are still in our yard waiting to be shipped. Three have been there for three and a half months, and the other has been there three months. As stated earlier, our goal is to have them in the yard less than two weeks.

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This puts us in a difficult position because we paid for the materials and now they are just sitting in finished goods. We can't get paid for them until they ship. It also ties up our carriers because they are sitting on them.

When we question Rescue Construction about shipments we are told that the sites are not ready due to weather and the inability to get building permits. We've also been told that the state has been changing the priority list of what needs to be built. So, we have homes built that got bumped for more important projects?

Business has continued to be slow in the Northeast due to the normal time of the year and the weather, high interest rates, the overall cost of the homes' project, and the uncertainty about the economy. We are not running the plant at full capacity and have workers laid off.

Rescue Construction committed to building ten homes a month with us in January, February, and March. We did not receive the orders. When our Sales Manager followed up on them he was told that they were too backed up to take any more houses right now.

Pennwest has a desire to continue building houses for the Homeowner Recovery Program in North Carolina. We have the capacity in our plant and it appears your citizens that were affected by the storms need homes. Hopefully, the weather will get better and we can start getting paid and ship homes. The way things have gone up to this point make it difficult for us to want to continue, and it puts my job in jeopardy with so much exposure.

Feel free to reach out to me for any further questions or clarification on the process, our company, and modular homes, in general.

Sincerely,



Todd Griffith
General Manager
Pennwest Homes

C.c. Terry Schmader, Sales Manager Pennwest Homes