



## **Economic Impact Analysis Virginia Department of Planning and Budget**

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### **13 VAC 5-91 – Virginia Industrialized Building Safety Regulations Board of Housing and Community Development November 9, 2002**

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The Department of Planning and Budget (DPB) has analyzed the economic impact of this proposed regulation in accordance with Section 2.2-4007.G of the Administrative Process Act and Executive Order Number 21 (02). Section 2.2-4007.G requires that such economic impact analyses include, but need not be limited to, the projected number of businesses or other entities to whom the regulation would apply, the identity of any localities and types of businesses or other entities particularly affected, the projected number of persons and employment positions to be affected, the projected costs to affected businesses or entities to implement or comply with the regulation, and the impact on the use and value of private property. The analysis presented below represents DPB's best estimate of these economic impacts.

### **Summary of the Proposed Regulation**

The General Assembly mandates in §36-73 of the Code of Virginia that the Virginia Board of Housing and Community Development promulgate rules and regulations prescribing standards for industrialized buildings.

The proposed regulation (1) replaces the Manufactured Housing and Industrialized Building Office with the State Building Code Administrative Office (SBCAO), (2) updates construction model codes and standards for industrialized buildings to the same codes and standards being proposed for the Uniform Statewide Building Code (USBC), (3) increases the registration seal fee for industrialized buildings from \$50 to \$75, (4) imposes a 30-day time limit on compliance assurance agencies (individuals or organizations determined by the Department of Housing and Community Development to be qualified to investigate, test, and evaluate industrialized buildings) to notify the SBCAO of the signing of any new contract or terminating of an existing contract with a manufacturer, (5) changes the information required to appear on the manufacturer's data plate and the compliance agency certification label, (6) adds a

requirement that compliance assurance agencies (or manufacturers under the supervision of the compliance assurance agency) maintain permanent records of all Virginia registration seals obtained by them.

The proposed regulation also adds definitions and makes clarifications to the existing regulation.

## **Estimated Economic Impact**

The potential economic impact of replacing the Manufactured Housing and Industrialized Building Office with the SBCAO is negligible as it is essentially a renaming of the office of the DHCD which has been designated to carry out the enforcement of the Virginia Industrialized Building Safety Regulations.

The proposed regulation updates the construction model codes and standards to those being proposed for the USBC. The codes and standards referenced in the USBC are being changed from the 1996 Building Officials and Code Administrators International, Inc (BOCA) to the 2000 editions of the International Code Council (ICC). However, the new ICC codes borrow heavily from the existing BOCA codes (there is an 80-85% match between the new and the existing code) and are not likely to have a significant impact on the construction of industrialized buildings in the Commonwealth.

Under current policy, all registered industrialized buildings have to be marked with an approved registration seal issued by the Department of Housing and Community Development. The manufacturer can currently purchase these seals for \$50. The proposed regulation raises the registration seal fee to \$75. The \$25 increase in the registration seal fee is not likely to have a significant effect on the production and sale of industrialized buildings in Virginia as it would mean an increase in cost to the manufacturer of 0.5% or less (cost of an industrialized building ranges from \$5,000 to \$10,000 per module). The registration seal fees were last raised in 1994 and the \$25 increase reflects the rising costs (such as salary and benefit costs and travel expenses) incurred by SBCAO in monitoring and administering the program in the intervening eight years. Between 1997 and 2001, an average 4,056 seals were issued per year, giving rise to revenues totaling \$202,800. At the same number of seals, the higher fee will generate revenues of \$304,200. The revenues generated will go to cover salaries and expenses of the SBCAO. Even with the increase, the proposed fee is significantly lower than that charged by surrounding states.

In addition to the registration fees, states such as Maryland, North Carolina, and South Carolina require manufacturers to pay hundreds of dollars in application fees and other states such as Tennessee charge manufacturers a substantial annual license fee.

The regulation imposes a 30-day time limit on compliance assurance agencies to notify the SBCAO of the signing of any new contract or the terminating of an existing contract with a manufacturer. Current policy does not impose a maximum time limit on the reporting requirement. The potential economic impact of this change is not likely to be significant. The 30-day limit could result in better enforcement of the regulation by providing DHCD with more up-to-date and accurate information. Moreover, the change is not likely to impose any significant additional cost on compliance assurance agencies. According to DHCD, most compliance assurance agencies have been notifying the department of these changes within 30 days and the proposed regulation will not significantly alter current practice.

The proposed regulation increases the information required on the data plate put by manufacturers and reduces the information required on the certification label put by compliance assurance agencies on industrialized buildings. The economic impact of the proposed change is likely to be very small. While manufacturers would face an additional cost of a small number of labor hours involved in collecting the information, it would provide interested parties (such as building safety and fire prevention officials) the convenience of having all the relevant information readily available at one location. Because of the increased information on data plates, compliance assurance agencies no longer have to put as much information on their certification label. This would result in a small cost saving to compliance assurance agencies.

The proposed regulation requires that compliance assurance agencies (or manufacturers under the supervision of the compliance assurance agency) maintain permanent records of the disposition of all Virginia registration seals obtained by them. This could impose an additional cost on compliance assurance agencies and/or manufacturers to maintain and store the information. Currently, the serial number of the registration seal is available on the manufacturer's data plate. The additional record-keeping requirement would be useful in the event of damage to or loss of the data plate. In order to evaluate the net economic impact of the change, we would need to know the extent of the additional cost on manufacturers and/or

compliance assurance agencies of storing and maintaining the records and the number of times the damage to or loss of a data plate has interfered with DHCD's enforcement of this regulation.

### **Businesses and Entities Affected**

The proposed changes to the regulation will affect manufacturers of industrialized buildings. According to DHCD, last year 128 manufacturers of industrialized buildings requested DHCD seals. Of those 128 manufacturers, 11 are based in Virginia. The changes will also affect 12 compliance assurance agencies approved by DHCD to provide evaluation, monitoring, and inspection services.

### **Localities Particularly Affected**

The proposed changes to the regulation affect localities throughout the Commonwealth.

### **Projected Impact on Employment**

The proposed changes to the regulation are not likely to have a significant impact on employment. The increase in the registration fee is not likely to have a major effect on the production of industrialized buildings in Virginia, as the increase would be a very small fraction of the total cost of construction. To the extent that they don't already have the manpower and capability, the additional record-keeping requirement result in a small increase in employment by manufacturers of industrialized buildings and compliance assurance agencies.

### **Effects on the Use and Value of Private Property**

The proposed changes in the regulation are not likely to have a significant effect on the use and value of private property. The increase in the registration fee, a small fraction of the total cost of construction, is not likely to have a major effect on the production and use of industrialized buildings in Virginia. The expanded information requirement for manufacturer's data plate could raise costs for manufacturers by a small amount and the decrease in information required on the certification label could result in a small cost saving for compliance assurance agencies. The additional record-keeping requirement could potentially increase the cost of doing business on the part of manufacturers and compliance assurance agencies.