House Human Services and Housing Committee
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Testimony in support of HB 2894, HB 2895, and HB 2896

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My name is Bill Van Vliet, Executive Director of NOAH, the Network for Oregon Affordable Housing. NOAH is a statewide nonprofit formed in 1990 under the leadership of the Oregon Bankers Association for the purposes of providing financing for multifamily affordable housing projects throughout the state.

We currently offer a wide range of financing products to support affordable housing development in Oregon, and have over $250 million of capital available to lend in our work.

Since 2008, NOAH has provided financing for manufactured home parks owned by non-profits, resident-owned cooperatives, or housing authorities.

Manufactured housing is one of two areas where NOAH has a dedicated policy focus—the other is preserving existing affordable housing, which is closely related. We are able to do this work thanks to support from Meyer Memorial Trust and OHCS and other funders.

For the past two years NOAH has served as convener of an informal group of interested public and private sector stakeholders working with manufactured housing. The workgroup has focused on challenges and solutions to manufactured home park preservation and policy formation to support our collective work. To that end, I'd like to enthusiastically endorse HB 2893 to establish a formal structure for that work under OHCS, which continues to lead its peers nationally in support of manufactured housing in Oregon.

I will refer you to the Oregon Data Snapshot produced by Prosperity Now that has been uploaded into OLIS. It provides an excellent recap of manufactured housing in Oregon and who lives in these homes. I also call your attention to a map from the OHCS web site that shows the location of each MHP in the state.

A few important data points that relate to these bills:

- There are approximately 140,000 manufactured homes throughout Oregon
- About 62,000 of those are located in over 1,000 MHPs, where homeowners own their home, but rent the land beneath it.

- Compared to all Oregon Homeowners, owners of manufactured homes are more likely to be over the age of 65, receive SNAP benefits, and have median incomes of approximately $35,000 per year, or about half the household income of all homeowners.
- Nearly half of Oregon's manufactured housing stock was built prior to 1980, which is about the time HUD's manufactured home building code was fully phased in.
- Many of these older homes are in disrepair, some severely, are unhealthy due to mold and other hazardous materials such as asbestos and lead. Many have leaking and collapsing roofs, rotting floors and failing systems.
- These older homes are energy inefficient, resulting in high utility consumption and cost burdens, and contributing disproportionately to climate change.

HB 2894, 2895, and 2896 address identified needs to preserve MHPs in Oregon through acquisitions by mission-oriented owners and resident owned cooperatives, and to begin the important work of replacing older, deteriorating homes to improve housing quality, health and energy efficiency.

We're grateful to Rep. Marsh for her leadership in support of this important affordable housing resource.

I'll now walk through each of the bills. There are proposed amendments to each which I'll address as I go. The first two bills provide resources to homeowners for home replacements.

HB 2894 establishes at OHCS a new supplemental loan program to support homeowners in replacing their manufactured homes. Most affordable housing development results in a gap between available resources and cost. With lower incomes to borrow against and fewer resources to contribute, funding gaps exist for many manufactured homeowners.

NOAH experienced this several years ago when we were involved in a pilot replacement program with NeighborWorks Umpqua. Without another resource, the gaps were a barrier to many replacements. A new pilot that is just starting that uses a new Craft3 loan program and energy incentives from the Energy Trust of Oregon and OHCS suggests funding gaps remain a challenge.

To be eligible, homes must:

- Be located in a park with a recorded regulatory agreement with OHCS
- Be occupied by the homeowner
- Meet energy efficiency standards established by OHCS
- Serve households at no more than 100% of statewide or local area median income levels as determined by the Housing Stability Council
- Be installed following the proper decommissioning of the old home

The -2 amendments make the following changes (there is no -1 version, it was replaced prior to the hearing):

- Makes eligible for replacement homes located on land where the homeowner owns both the home and the land underneath it. This expansion will broaden the impact of the bill, especially for the more rural parts of the state.
- Establishes a maximum loan per home of $35,000.
- Removes some of the technical loan conditions from the bill and directs OHCS to address them in Rule.

The goal of this program is to provide just enough gap funding to replace the home without inappropriately burdening the low-income homeowner. Owners are expected to borrow as much primary loan funding as possible from sources such as the new Craft3 program, USDA Rural Development, or other lenders.

We anticipate loans from OHCS under this program might not charge an interest rate or have payment requirements, and that long-term debt forgiveness will be an option for owners that remain in their homes. We also anticipate a recapture provision so that the state investment, or parts of it, can be recovered in certain circumstances. We expect OHCS to refine these lending parameters through Rule.

HB 2895 is a companion bill that provides grant resources to homeowners to help pay decommissioning costs. The grants will be administered by OHCS and will pay for 80% of the decommissioning expense.

A barrier to replacements has been the cost to demolish the old home. An important goal of this program is to remove these old and unhealthy homes from our housing ecosystem so they aren't simply moved down the road for continued use.

The cost to properly decommission manufactured homes can run $7,500 to $15,000, depending on the size, age and location of the home. Most of these old homes contain hazardous materials such as lead based paint and asbestos.

Eligible homeowners must meet the same requirements of HB 2894.

The -1 amendments expand eligibility to homes located on land where the homeowner also owns the land beneath the home.

The final bill in this package is HB 2896. This bill allocates funding to OHCS to help create a fund to acquire MHPs as they come available for purchase. The fund will assist nonprofits, resident owned cooperatives, and housing authorities purchase parks with a goal of maintaining affordability and preventing potential closures and displacement.

The bill directs OHCS to work with one or more nonprofit fund managers to raise additional capital to leverage the state investment. The fund managers will also be expected to retain some portion of shared risk position with the state.

Another benefit of the acquisition fund is the ability for quick execution of transactions. Large investors often engage in fast cash transactions for MHPs. While this fund can't equal a cash transaction, it can substantially shorten the timeline for funding purchases, increasing the competitiveness of mission-based purchase offers.

The amendments submitted to LC, but not yet available to you today, do two things. They provide flexibility to OHCS to select more than one fund manager should they choose.

In line 13 on page one, instead of "a nonprofit" the amendment will read "one or more nonprofits".

The other thing the amendments do is remove specific leverage and risk sharing requirements from the bill and directs OHCS to establish parameters for selecting fund managers that includes reasonable risk sharing and leverage requirements by the nonprofit to assure maximum impact for the state investment.

Lines 23-26 on page one will be deleted.

MHPs are popular investments. Many large investors, Wall Street REITs and equity funds target this housing product because of their durable and strong cash flows. Drafting on the strong overall housing market, MHPs are selling at prices much higher than current rent structures can support. This means that either rents will be steadily increased, or parks are being sought for possible redevelopment. Neither is a good outcome for homeowners and places their largest asset, their home, at risk.

In NOAH's portfolio of parks owned by nonprofits and resident cooperatives, the average space rent increase has been just 1% per year. By contrast, based on market reports from brokers, the average space rents at investor parks have increased close to 4% per year. Over time, the higher increase in space rents has a dramatic effect on housing affordability for low income households.

Collectively, these three bills will result in improved homes for low income Oregonians while accelerating the pace at which nonprofits and resident cooperatives can acquire MHPs. The result will be healthier homes, greatly improved energy efficiency, and more homeowners protected from potential park closures or steady rent increases that eventually will price them out of their homes.