

To: House Committee On Housing and Homelessness

Thank you for the opportunity to testify in support of HB2980 and HB2981.

These bills set up a public-private partnership framework for missing middle homebuilding by providing the public-sector side of the financial equation. They will allow state agencies to work with nonprofits and local governments, which in turn will work with private developers to build out our missing middle workforce housing.

There's a reason we need to subsidize this kind of partnership. The missing middle is missing for a reason.

Capital flows to the home types that are the easiest to profit from. In Oregon, that tends to be on the fringes where you either have massive federal and state subsidies for affordable housing, or you can build a custom home in Bend and exit at a price point at or above their current median, which is \$750,000 per home.

Moving the capital to where it's needed (i.e., our 80-120% AMI households) will require us to create financial incentives that offset the cost of home construction to the builder and ultimately pass those savings on to the buyer.

We also must reduce the market inefficiencies that have led to rising home prices nationwide. We can do this by syndicating the financial risk of new home construction across public shareholders, addressing rising interest rates, infrastructure costs, and pre-development costs for home building, and creating more optimal production methods that benefit from Oregon's investments in mass timber and alternative building materials that will allow us to build homes using processes like additive manufacturing - where we build the home one layer at a time using the most cost-effective techniques possible without sacrificing quality.

We're talking about creating the iPhone of housing. A superior end product at a price point attainable for middle-income earners. But to create an iPhone will require more innovation in our public policies than we're typically comfortable with. We must break down the historical barriers that have left middle-income housing out of the legislative process. The market won't course correct without our assistance.

What we're trying to do with these bills is to trim the fat through policy innovation. Take a little off the edges by reducing pre-development design costs, infrastructure financing costs, and site development costs for the builder, and then income-restricting the end product to stay affordable for folks in the 80-120% AMI category after it's completed, all while ensuring there's a manageable and marketable return on investment for both the public and private partners.

This isn't trickle-down economics that favors upper-income households and high-net-worth individuals. This is public-sector stimulus to keep our housing affordable to middle-income earners in every community in Oregon.

In eastern Oregon, this means building homes in the range of \$180,000 to \$365,000 for a 2,000-square-foot home, which is \$90 to \$180 per square foot, and going from 10-20 homes a year per county to 100-200 homes per year.

Most home builders will tell you the low end of that range is impossible, even at scale. And they'd be right, except for bills like this, which will help us reduce the cost to the homebuilder and, ultimately, our residents by attacking the inefficiencies inherent in each step of the homebuilding process, from pre-development concept through owner-or-renter-occupied housing.

These bills will allow us to meet people where they're at, build on the successes of the State's investment in mass timber and additive manufacturing, and craft an approach that can be tailored to each of our communities' unique needs.

Respectfully submitted this 31st day of January 2023.

A handwritten signature in blue ink, appearing to read 'Nick Green', with a stylized flourish at the end.

Nick Green

President,
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