OREGON HOUSING and COMMUNITY SERVICES
725 SUMMER STREET NE, SUITE B | SALEM, OR 97301
503-986-2000 | www.oregon.gov/OHCS

March 21, 2025

Joint Committee On Ways and Means Subcommittee
On Transportation and Economic Development
900 Court Street NE
Salem, OR 97301

RE: OHCS Expenditures and Outcomes Presentation Follow-Up

Co-Chairs Woods and Gomberg, Members of the Joint Committee on Ways and Means Subcommittee on Transportation and Economic Development,

During our annual Expenditures and Outcomes report, committee members raised important questions regarding how OHCS has expended our appropriated funds and how those expenditures have served Oregonians. Below is information and additional clarity to questions posed by the Committee. This just scratches the surface of a deeper conversation about how the department has supported housing construction and individual households to date, and we are eager to keep the dialogue going.

GENERAL QUESTIONS

Senator Woods asked what the definition of affordable housing is.

OHCS affordable housing focuses on expanding the housing supply, including units with rents that are affordable to low-income households. What that means is that when OHCS funds housing, the state is securing units that will be offered to low-income households at various defined income tranches: 30% AMI (federally defined as extremely low income), 60% AMI (Oregon statutory definition of low income for rental housing), 80% AMI (federally defined as low income).

Representative Nguyen inquired about the lessons OHCS learned from Royal Oaks.

In response to the 2020 Labor Day wildfires, OHCS partnered with the Housing Authority of Jackson County to acquire the former Royal Oaks Mobile Home Park site, which was destroyed in the Almeda Fire. In early 2021, OHCS contracted Pacific Housing Partners (PHP) LLC to purchase 140 modular homes, with PHP working with Nashua Builders of Boise, Idaho. In March 2022, OHCS identified issues with the units, including transport damage and construction defects, prompting discussions with PHP on repairs. By spring 2023, site development advanced

enough for unit placement, but additional inspections revealed significant code violations, leading to further investigation by Oregon Building Codes Division and local inspectors. The overarching lesson from Royal Oaks was not to rely on out-of-state manufacturers where oversight and contractual requirements are harder to administer. Moving forward, OHCS will focus on in-state manufacturers where adherence to state building codes and best practices can be better monitored.

Relatedly, the legislature took action on the need in the 2023 session, and created the Modular Housing Development Fund, aimed at expanding Oregon's capacity for modular home manufacturing and ensuring homes meet state standards while also preparing for future disaster recovery.

In committee, there were questions about the Modular Housing Development Fund.

The Modular Housing Development Fund (MHDF) was established to award $20 million in production capacity expansion grants allocated in House Bill 2001 from the 2023 Legislative Session. These resources are intended to spur housing production capability and readiness in the modular industry to respond to the state's housing crisis, disaster recovery, and specifically low- / moderate-income demand. Modular housing production is both a growing sector of Oregon's economy and a critical part of Oregon's housing continuum. Modular housing needs are not abstract.

Four (4) grantees were selected in February 2024 after a competitive Request for Application process. Each award totals $5 million, and grantees will receive their fourth and final grant disbursement of $1.75 million this spring. Staff look forward to evaluating and reporting on the successes and challenges of this first-of-its-kind initiative after all resources have been disbursed and spent.

Grantees were selected based on a variety of factors, including their projected increases in production capability. While specific production *outcomes* are not contractually binding, agency staff are monitoring the activities to which grantees have committed, as well as their intended impacts. Grantees have wasted no time entering agreements with local governments as their production abilities grow and bear fruit.

Additional units are already being produced, new partnerships are being formed, and contracts and orders are being executed. In so far as OHCS can speak to business / industry production capacity, grant funds are making an impact. Each grantee has a distinct (maximum capacity) production increase timeline as they differ in terms of what they produce. Grantees started from different production capacities and staff expect variation in actual outputs between them.

The agency is pleased to report that grantees are a mix of urban and rural firms, firms that had extensive track records in Oregon, firms new to doing business in Oregon, and all with unique approaches to expanding capacity for complete modular units and components. The four modular grantees are:

Blazer Industries, Inc. (Blazer), Aumsville, OR
Proposal: Blazer proposes a three-step approach:

1. Complete a production analysis and improvement plan
2. Invest in technology and software upgrades at their 100,000 square feet facility
3. Create three standardized designs with three prototypes

Projected Outputs: Blazer estimates that they will boost production to 50-100 additional residential homes per year through 2028

Grant Period Midpoint Report*:* Among many other projects in the works, twenty (20) Ideabox McKenzie Lazy Days wildfire replacement homes have been completed, set in place, and will soon be ready for occupancy. As a result of this success and lessons learned, Blazer and their partner, IdeaBox, are developing a more affordable series of wildfire units. Blazer is also working with five (5) counties in Oregon on the production of single-family homes and multi-family projects. Production will start on another prototype later in 2025.

Intelifab, LLC (Intelifab), Klamath Falls, OR
Proposal: Intelifab is using grant funds to complete Phase III of their 3-phase facility expansion plan. This includes adding 10,000 square feet of manufacturing space to their facility, adding a production line that will operate simultaneously, and purchasing key equipment that will cut overall labor hours and provide in-house transportation, reducing costs.

Projected Outputs: Intelifab expects to triple its current output to 364 units per year and reduce per-unit costs by 10% with the help of these grant funds.

Grant Period Midpoint Report*:* Intelifab has been able to purchase several pieces of equipment, including three (3) modular transport trailers, a Hornet saw, and a production crane, in preparation for additional orders. Their contract with Jackson County to produce 118 Fire Recovery Homes is well underway. Collaboration with the State Building Codes division has allowed Intelifab to craft pre-approved, off-the-shelf designs, shortening production and placement timelines.

Pacific Wall Systems, Inc. (PACWALL), Phoenix, OR
Proposal: PACWALL creates components and units for modular housing, including prefabricated wall panels, floor cassettes, stairs, roofs, and accessory dwelling unit (ADU) kits. With their grant resources, they are expanding their manufacturing space with an additional 20,000 square feet of warehouse and 10,000 square feet of floor assembly space.

Projected Outputs: Production is anticipated to increase by 30% above the current baseline.

Grant Period Midpoint Report: The factory expansion work continues, with an expected expansion of 28,000 linear feet of wall per month to 37,000 sf. This translates to almost 2,000 units per year, up from 1,500. PACWALL is working toward mass production of their ADU kits at an estimated rate of 50 complete kits per month at full capacity.

Zaugg Timber Solutions (Zaugg), Portland OR
Proposal: Since 2017, Zaugg has been developing a new modular production facility for the US market, located in Oregon, and is using their grant to purchase several pieces of assembly and transportation equipment for their factory. The equipment will facilitate efficient use of manufacturing space, making more production space available, allowing faster retooling for multiple designs at once, and managing stronger, disaster-resilient modules.

Projected Outputs: Zaugg projects this investment in technology and equipment will produce roughly 700 additional affordable housing units by 2027 and is on track to meet this goal.

Grant Period Midpoint Report: Zaugg has taken orders from tribal partners that are already in production and is expecting a significant low- / moderate-income development order later this year.

Senator Woods asked about the difference between modular and manufactured housing.

Please find this information on the following page.

Oregon Housing and Community Services | 725 Summer St. NE Suite B, Salem, OR 97301-1266 | (503) 986-2000 | FAX (503) 986-2020

Modular vs. Manufactured Housing

Summary

OHCS is tasked with establishing a $20M Modular Housing Industry Development Fund in HB 2001 from the 2023 Legislative Session. OHCS staff will keep the key distinctions between **modular** and **manufactured** housing in mind as frameworks, timelines, and details of the program are determined.

Oregon Building Codes Division Definitions

Prefabricated Structure (modular): Also known as "modular buildings" as defined in ORS 455.010 is a building or subassembly that has been in whole or substantially manufactured or assembled using closed construction[1] at an off-site location to be wholly or partially assembled on-site. A prefabricated structure *does not mean a "manufactured dwelling,"* a dwelling built to federal HUD standards, as defined in ORS 446.003.

Manufactured Dwelling (manufactured): Factory-built residential structures constructed with federal manufactured housing construction safety standards and installed in accordance with an Oregon-approved installation code OMDISC (see ORS 446.003) in accordance with HUD requirements. Manufactured dwellings are *not "prefabricated structures"* as defined in ORS 455.010.

General Industry Distinctions

Construction Process: **Modular housing** is built in sections or modules at a factory and then transported to the construction site for assembly. These modules are typically constructed using a steel or wooden frame and can be customized to meet specific design requirements. **Manufactured housing** is built entirely in a factory and transported to the site as a complete unit.

Building Codes: **Modular housing** is subject to state and local building codes and regulations like traditional site-built – or "stick built" – homes. It must adhere to the same standards for safety, quality, and energy efficiency. **Manufactured housing**, sometimes known as mobile homes, follows a different set of federal construction and safety standards governed by (HUD).

Mobility: **Modular homes** are not designed to be mobile once assembled on-site. They are permanently attached to a foundation or crawl space and cannot be moved easily. **Manufactured homes**, however, are designed to be transported and relocated. They are typically placed on a steel chassis with wheels, allowing them to be moved to different locations if needed.

Financing and Value: Financing options for **modular housing** are often similar to traditional home loans, as they are considered real property. Typically appreciate in value over time, like site-built homes. **Manufactured homes**, on the other hand, may be classified as personal property and financed through chattel loans, which have different terms and conditions. Their value tends to depreciate over time, although this can vary depending on factors such as location and maintenance.

Customization: **Modular housing** offers a greater degree of customization compared to **manufactured homes**. Since modular homes are built in sections, they can be designed to fit various architectural styles and accommodate specific layout preferences. **Manufactured homes** typically have standardized designs and floor plans due to the constraints of transportation and assembly as a complete unit.

---

[1] "Closed Construction" as defined in OAR 918-674-0005 means a factory-assembled structure or component that encloses factory-installed structural, mechanical, electrical, plumbing or energy conservation equipment or material inside a floor, wall, or roof cavity which is not entirely open for visual inspection of the equipment or material at the site.

In Partnership,

Andrea Bell
Executive Director

Oregon Housing and Community Services | 725 Summer St. NE Suite B, Salem, OR 97301-1266 | (503) 986-2000 | FAX (503) 986-2020