



Senate Housing Committee

May 7, 2025

Testimony in support of A-Engrossed HB 3054

Bill Van Vliet, Executive Director

Network for Oregon Affordable Housing (NOAH)

Chair Pham, Vice Chair Anderson, and members of the committee, my name is Bill Van Vliet, Executive Director of NOAH, the Network for Oregon Affordable Housing and I'm here in support of A-Engrossed HB 3054.

NOAH is a statewide nonprofit that provides financing for multifamily affordable housing projects throughout the state, including manufactured home parks owned by non-profits and resident cooperatives.

For many years we've been active in policy discussions and advocacy for expanded use of manufactured housing as an affordable housing resource, and in and support of the residents of manufactured home communities.

NOAH's appraiser recently confirmed that the market demand and values for manufactured home parks in Oregon remains strong.

Larger parks are typically purchased by well capitalized major investors, and the most attractive of those parks draw interest from Wall Street investment funds. Smaller parks under 100 spaces also have strong demand, but typically from local and regional investors.

While some people are uncomfortable with rent regulations, traditional market forces simply don't exist to help regulate rents in manufactured home parks. There are few vacancies in parks and even so, homes are expensive or impossible to relocate. Park buyers know that residents have few choices, so they can plan for steady rent increases to support high purchase prices.

This puts tenants at a huge disadvantage compared to park owners who have the power in the relationship. Worse yet, every time rents increase, the value of their home goes down.

This bill simply seeks to bring more balance and fairness to the relationship.

I was curious about the economic consequences of the proposed 6% rent cap and I did some modeling of a typical MHP that I'd like to share in the attached slides.

- I used the JLT Market Report which is a well-regarded national MHP research organization. They conduct annual rent surveys of large parks in 5 Oregon markets. I selected the Medford MSA market for this exercise and used the average space rent and park size for the area **(\$710/month and 125 spaces)**. From that JLT report I saw that over the last five years, average rent increases at the surveyed parks was 8.2%/year.
- For expenses, I reviewed several of our most recent appraisals to compare actual market expenses, and also check those costs against NOAH's portfolio of MHPs.

I was conservative in my selection and used a figure above the upper expense levels to be safe.

- I also determined from US Bureau of Labor Statistics the average inflation rate for the last 25 years was 2.58%, and was 4.18% for the last 5. I chose 4% as baseline going forward, which is above typical modeling rates for housing.
- Finally, I pulled out insurance costs and inflated them at a higher rate. NOAH's appraiser confirmed my beginning insurance number as

very reasonable. He also confirmed that for MHPs, insurance rates have not increased as rapidly and have much less impact on cash flow.

From the baseline scenario I then ran several scenarios to stress test the performance. In each scenario, net operating cash flow increases steadily. If a park is profitable today, this bill shouldn't change that.

Please see the attached slides.

- **Slide 1:** Data table as previously described, citing sources.
- **Slide 2:** Baseline scenarios—Rents increase at the proposed 6% allowed in the bill and expenses at the concluded 4% inflationary rate, which is generous. Result: Still strong and increasing net income.
- **Slide 3:** Same as slide 2, only front-loaded three years of very high inflation in case current economic fears come true. Result: Still steady income growth in each year.
- **Slide 4:** Strong downside test—applied 6% expenses to equal rent increases in all years. Result: Still steady net income growth.
- **Slide 5:** Tested fluctuating lower rent increases, but kept the very high first three years of inflation. Result: still generally steady net income growth.

Overall conclusion, even when tested with unfavorable factors, these MHPs produced steadily increasing profits every year.

Finally, for capital expenditures, a much-discussed topic, most traditional investors in capital assets fund a reserve for capital replacements. That's been a standard requirement of NOAH's lending terms for over 30 years, including on our MHP loans. If there isn't a capital replacement reserve, the difference between 6% and 10% rent increases probably won't make up the difference.

With this analysis, I've gotten comfortable that this bill helps strike a fair balance between park owners and tenants. I urge your support.

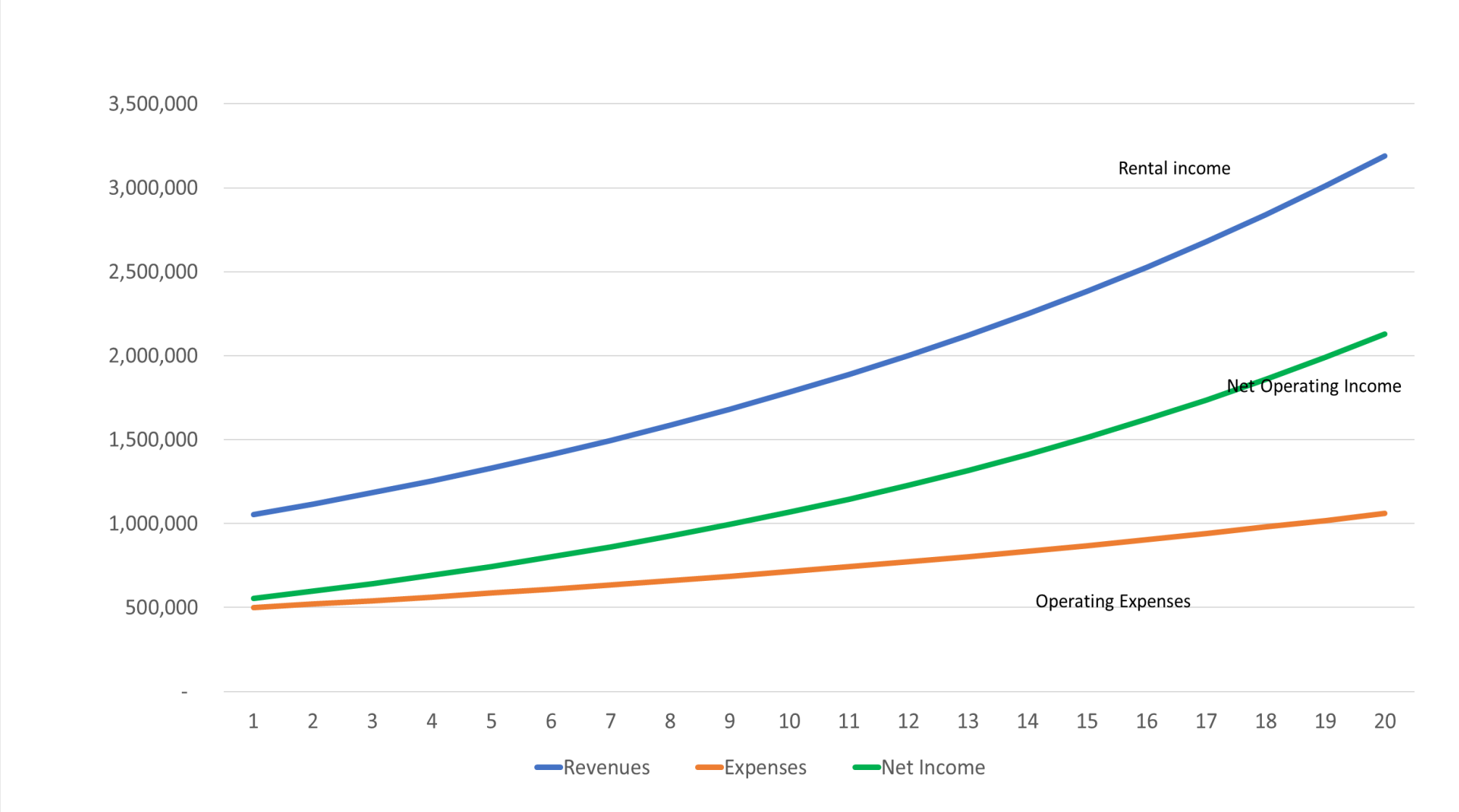
Manufactured Home Park Financial Modeling Assumptions

Base Data:		Data source
Rent Inc. 23-24	7.6%	JLT Market Reports
Rent Inc. Avg last 5	8.2%	JLT Market Reports
Inflation Rate last 25:	2.58%	US Dept. of Labor Statistics
Inflation Rate last 5:	4.18%	US Dept. of Labor Statistics
Average spaces	125	JLT Market Reports
Average Rents/Mo.	\$ 710	JLT Market Reports
Average Occupancy	99%	JLT Market Reports
Monthly Rev.	\$ 87,863	calculated
Annual Rev.	\$1,054,350	calculated
Average Exp/site/yr	\$ 4,000	NOAH-market appraisals & portfolio
Annual Exp.	\$ 500,000	calculated
Ins/space/yr	\$ 125	NOAH appraiser confirmed
Annual ins	\$ 15,625	calculated
Exp. Net of Ins.	\$ 484,375	calculated

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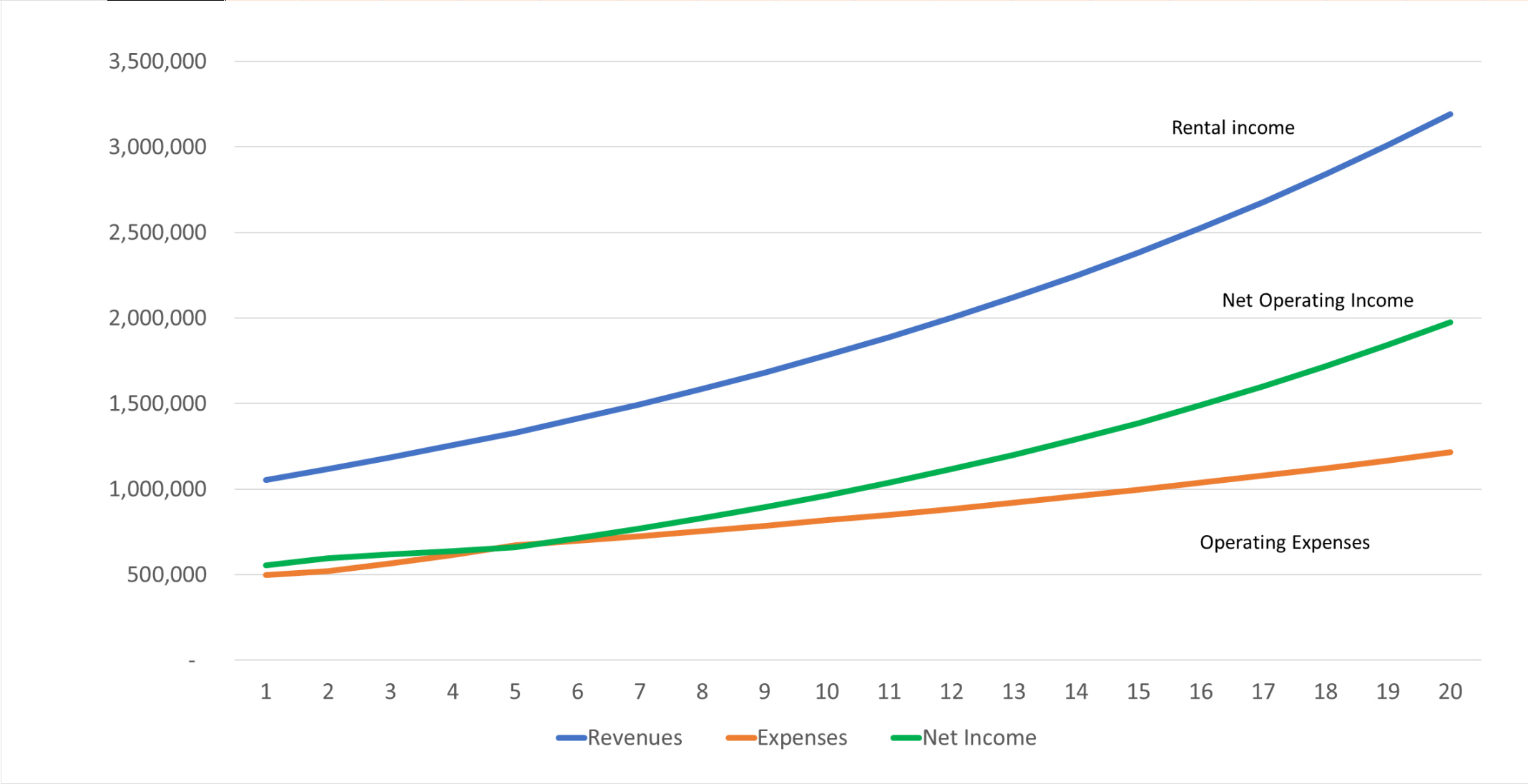
MHP Sample Proforma

Base Year	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12	Year 13	Year 14	Year 15	Year 16	Year 17	Year 18	Year 19	Year 20
Revenue inflator	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%
Expense inflator	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%
Insurance inflator	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%



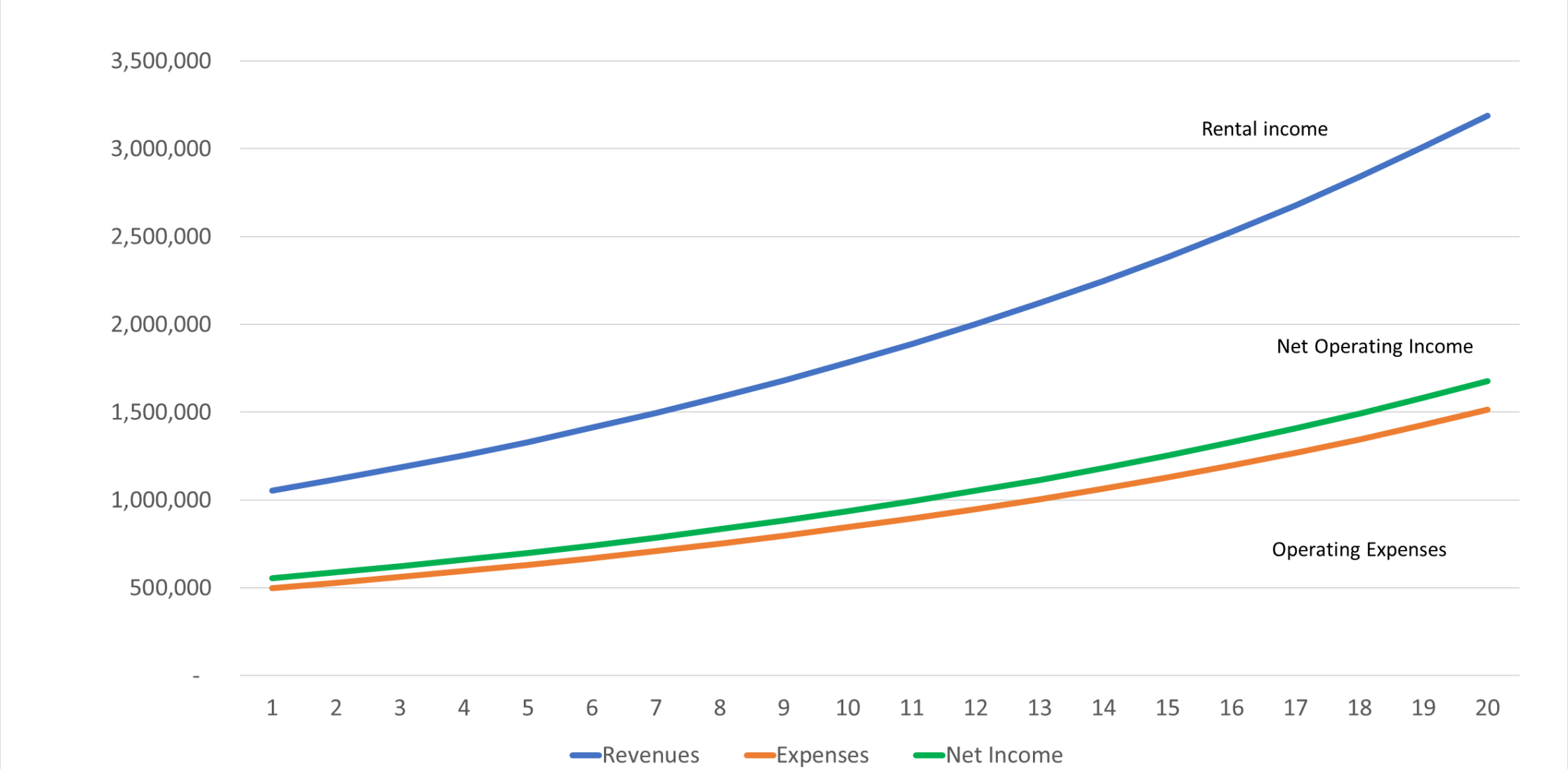
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