



Joint Committee On Ways and Means
Subcommittee On Capital Construction
Oregon State Legislature
900 Court St. NE
Salem, OR 97301

**Re: Testimony in Support of Rural Oregon Modular Mass Timber Workforce Housing
Lottery Bond Request, Senate Bill 5701**

Co-Chairs and Members of the Subcommittee:

My name is Josh Walker, and I am a principal with Mahogany Ridge Development LLC, the developer behind The Ridge cottage cluster and townhome projects in John Day, Oregon. I am writing to express our strong support for the Regional Rural Revitalization (R3) capital request in Senate Bill 5701 and to confirm Mahogany Ridge's commitment to partner with R3 to deliver modular mass timber workforce housing at The Ridge and similar small-scale projects in rural markets.

Our original cottage cluster concept at The Ridge focused on three contiguous lots in John Day (Lots 5–7), delivering approximately seven affordable rental units ranging from 1,040 to 1,368 square feet and representing roughly \$1.9–2.0 million in total investment. Lot 5 alone had a total development cost of about \$642,000, with a projected annual net operating income of \$42,294 and an estimated stabilized value of \$769,000 at a 5.5 percent cap rate.

Despite these sound fundamentals and clear workforce need, **conventional financing proved unworkable**: our regional bank's construction-to-permanent loan proposal required double-digit construction interest (Prime + 2 percent), multiple separate loans, significant upfront fees, and, most importantly, an additional \$500,000–1,000,000 in cash collateral and full personal guarantees, effectively making the project infeasible on its own merits.

Our experience illustrates why **R3's aggregated rural housing and construction-loan approach—supported by SB 5701—is so critical for developers like us in small markets**. By pooling multiple modest projects across rural communities, a Rural Housing Accelerator-style fund can offer fixed construction rates near 6 percent, higher loan-to-value ratios (up to 80–85 percent), portfolio-level debt coverage, and reduced transaction costs, all without demanding unrelated collateral or punitive guarantees. Under such a structure, the same Lots 5–7 that could not secure viable bank financing become financeable: lower interest costs, right-sized

equity requirements, and portfolio diversification make seven workforce homes in John Day a practical, bankable reality instead of a stalled concept.

R3 has already advanced a next-generation version of The Ridge in John Day through its Housing Infrastructure Financing Program (HIFP) application: an owner-occupied townhome project of 23 units (18 primary townhomes plus 5 basement ADUs) with 30 percent of units covered by a 30-year affordability covenant for households at or below 120 percent of area median income. R3 is also providing the platform and technical capacity to match infrastructure funding with private vertical capital. This evolution—from the original seven-unit cottage cluster to a 23-unit modular townhome community with long-term affordability covenants—shows exactly how **R3's programs can scale what began as a small, stuck project into a competitive, shovel-ready development.**

From Mahogany Ridge's perspective, the barrier to rural housing is not a lack of viable projects or local demand; it is the absence of capital structures that recognize the realities of rural scale, risk, and comparables. SB 5701's investment in R3's modular mass timber workforce housing initiative directly addresses this by pairing state equity with a revolving construction loan and infrastructure funding model that treats small rural projects as part of a diversified portfolio rather than one-off anomalies. With this support, we are prepared to move The Ridge and similar John Day projects forward using modular and mass timber designs that can be replicated in other rural towns under 10,000 residents.

For these reasons, Mahogany Ridge Development LLC respectfully urges you to **support the R3 capital request in Senate Bill 5701**. This investment will convert case studies like The Ridge from cautionary tales about broken rural finance into success stories of delivered homes for Oregon's rural workforce.

Thank you for your consideration and for your continued work to address Oregon's rural housing needs.

Sincerely,



Josh Walker

Owner, Mahogany Ridge Properties LLC