

Factory-built Housing Production Capacity

(Contained in HB 2981)

Background

According to our state economist, Oregon is facing a 111,000-unit housing deficit. When our homeless population is added in, that deficit is closer to 140,000-160,00 homes. Our current production level of approximately 18,000 homes per year falls well short of what the state needs to begin to ameliorate the gap and to ensure that every resident has a place to call home.

The housing deficit has been exacerbated by wildfire loss. September 2020 wildfires destroyed 4000 homes across the Oregon landscape. Delay in housing replacement means that thousands of residents are still living in FEMA trailers, hotel rooms, or other temporary quarters while they hope for permanent housing.

We need to take bold, innovative action to spur housing production and to get good, energy efficient and affordable homes on the ground. With targeted investment, the modular and manufactured housing industries can be key elements of our state strategy to address the ongoing deficit and provide a supply of units needed after disaster.

Advantages of Off-Site Production

Off-site construction—and volumetric modular in particular—can help reduce construction time by 20-30 percent and help reduce total development costs by 5-20 percent.*

Modular and manufactured housing units are permitted by state and federal sources. Local permitting authorities regulate site placement but do not need to review or approve the structure itself. Modular projects approved by the State Building Codes Division can be replicated on multiple sites for five years post-approval.

Proposal

A state **Factory-built Housing Production Capacity Fund** will provide seed funding in the form of grants or low interest loans to production facilities in key regions across the state. An investment of \$20,000,000 - \$25,000,000 will enable 3-4 facilities to begin or expand production capability.

The fund will be managed by Business Oregon as a component of its investment portfolio. The agency will convene a temporary Advisory Committee to provide oversight and counsel on investment options. Proceeds from loans must be deposited in the General Fund.

Entities receiving loans or grants will prioritize supplying modular housing components to meet demand from 1) state and local governments following a wildfire or other disaster; 2) low-income housing construction in this state; and 3) moderate income housing construction in this state.

Production Stability & Disaster Response

The cyclical nature of the housing market contributes to the challenge of reducing and ultimately eliminating Oregon's housing deficit. When economic cycles decrease demand, builders correspondingly reduce their production of housing. When demand returns, builders respond, but with an inevitable lag in production. Much of our current deficit is the result of under-production in the decade following the 2007-2009 recession.

To avoid exacerbating the deficit, we need consistent housing production to continue through these periods. Modular housing factories can provide a stable, predictable supply of affordable units to ensure that we continue to make progress on housing supply even during challenging economic cycles.

Facilities receiving state investments will be required to prioritize state or local need for housing following a wildfire or other disaster. This will ensure that we have an immediate and steady supply of temporary or permanent units to house survivors and rebuild communities.

As part of this initiative, Oregon Housing and Community Services will evaluate how to incorporate modular/manufactured units in state-funded housing projects. State LIFT or other housing funding will support the market for off-site production.

Strategic Locations

Facilities will be regionally situated to serve adjacent communities, reducing transportation costs and providing local economic development and workforce opportunities. Rural facilities offer specific benefits, including proximity to wood fiber for modular homes and panels. Mass timber construction will support communities that have struggled due to a retrenchment in the wood products industry over the last few decades. Sustainable utilization of wood fiber will also contribute to forest health and fire resiliency.

An Oregon Strategy to Serve Oregonians

In-state production of modular/manufactured housing provides multiple benefits, including acceleration of housing supply, consistent production, disaster response capability and local economic and workforce benefits. This is a sustainable approach that addresses social, economic, and environmental objectives simultaneously across Oregon.

For more information, contact Rep.PamMarsh@oregonlegislature.gov

* <https://ternercenter.berkeley.edu/research-and-policy/cost-to-build-housing-legislation-2022/>