

Testimony of Bill Miner, Attorney for Manufactured Home Communities of Oregon
in Opposition to HB 3054

Chair Marsh, Vice-Chairs Breese-Iverson and Andersen, and members of the Committee,

My name is Bill Miner, and I am an attorney in Portland representing the Manufactured Home Communities of Oregon (“MHCO”) in opposition to HB 3054.

MHCO represents 750 manufactured and floating home communities covering approximately 42,000 spaces and slips in Oregon. In 2024, MHCO educated over 850 managers and owners regarding their obligations under Oregon law.

I have been working in this industry for over 20 years and am familiar with the management and operations of these parks and marinas. I also represent many of these community owners with the management of their parks and marinas including the selling (and sometimes purchasing) of parks and marinas.

I would first like to thank Chair Marsh for the opportunity to have a fair hearing - giving equal time to proponents and opponents is appreciated. While we don’t always see eye to eye on these important issues, there is more that unites us on working toward quality affordable housing in Oregon than divides us.

With that said, MHCO strongly opposes HB 3054 because it is an extreme proposal. HB 3054 hits community owners, the vast majority of whom are Oregonians, with a one-two punch of capping rent *with* the imposition of vacancy control.

An annual CPI cap and vacancy control, taken together, will so far depress rents below market value that manufactured home park owners will be faced with three decisions: Run their park to the bare minimum of habitability standards; Sell to a conglomerate who has the resources to play the long game (which will not be good for the industry or tenants); or Close a park.

I’ll take each in turn, but first a comment about the bill’s attempt to keep up with market rent with a 10% increase for a new tenant over the exiting tenant’s rent at tenancy turnover. Current law allows a manufactured home/floating home community owner to charge an incoming tenant market rent. HB 3054 will cap that amount at 10% over the exiting tenant’s rent.

Manufactured home parks and floating home marinas are not like other tenancies. Multi-family and single-family tenancies have high turn-over where a 10% “catch-up” at turnover might keep up with market. This is not the case for parks and marinas. Most tenancies are long-term tenancies that often lasts decades.

If market rates increase on average of 6%, and CPI is at 2.9% per year (which is where CPI was last year), it does not take long for market rents to completely outpace CPI.

This graph illustrates the issue with rent set at \$500 in year one:



Over the course of 20 years, even a 10% increase at tenant turnover will simply not keep pace with market.

Now to the three choices Oregon community owners will face if HB 3054 becomes law.

Managing Parks to Minimum Habitability Standards

First, most owners can operate within the current cap (annual increase of 7% plus CPI but no more than 10%), because they have the ability to charge new tenants – who have the means and the willingness to pay – a higher rent to fund critical infrastructure improvements and address the higher costs of operating these business. A few examples of some of the costs associated with these businesses (and other owners have submitted many examples of other types of costs):

- \$900,000 to connect to a sewer from a septic system;
- A septic tank blockage can cost thousands of dollars to clear;
- A home that has been abandoned and must be dismantled can cost over \$10,000 to clear – even more if an owner is dealing with asbestos;
- Many parks include the costs of utilities in their rents. Those aren't going up by CPI.
- The costs of insurance are going up by thousands of dollars per year.

HB 3054 will require a community owner to make choices about these types of expenses. If they can't recover the costs of their expenses through rent raises, or increasing to market at turnover, then community owners simply won't make the investments.

Additionally, with reduced rents (that will not keep up with expenses), Net Operating Income (NOI) will be reduced which will keep lenders away. As an aside, there is a possibility for some existing parks that have loans that if NOI drops, a lender could call their loan (many loans have covenants about keeping NOI at a certain level).

With not enough income to make repairs and no ability to borrow, the result will be that parks are being run to the bare minimum habitability standards.

Oregonians Exiting the Business

MHCO understands that members of this committee are concerned about the increasing number of out of state owners. While I can attest that many of these out of state owners run their parks responsibly and care about the tenants in their parks, I also recognize that there are some that may not have the same values.

HB 3054 may actually encourage the selling of smaller, family-owned communities to larger out of state investors who are willing to play the long game and can create strategies to keep a park profitable.

Responsible out of state investors will likely stay away. But less scrupulous investors might be drawn to these parks for two reasons:

First, if NOI can't keep up, prices will be driven down, it will make these parks easy pickings for those with cash resources looking to increase revenues over time. And the idea that tenants can compete to purchase a park at a reduced value is a farce. Tenants simply cannot compete with an all-cash buyer who can close quickly – especially if a seller is facing significant expenses and depressed revenue.

Second, larger owners with resources can work around the restrictions of this bill and figure out how to get new homeowners at market rates. This is going to be bad for current homeowners.

One example is relating to evictions. Most FED cases settle because community owners do not want to be in the business of evicting, they want to keep a community as close to 100% occupancy as possible with paying rents. If rents are depressed, there is an increased incentive for a landlord to remove rent capped tenants. Again, my experience has been that most eviction cases settle because it is not worth the time and expense. HB 3054 will make it more likely that these evictions are taken to trial.

Park Closure – As Mr. VanLandingham mentioned, there is a statute that allows a manufactured home park to close with 365 days' notice to tenants and payment to tenants that depends on the size of their homes. This statute was in response to widespread park closures in the 90s where owners were looking to redevelop their property and earn a greater return.

I have been practicing for over 20 years, and not once has a client called me and asked me to advise them on how to close a park. Since this bill was introduced, I have been contacted by several different clients, that own or manage over 5,000 spaces in Oregon that are seriously considering closing their parks and converting to multi-family or some other use because of HB 3054.

HB 3054 now incentivizes owners to look to other uses for their property. There is a substantial risk that if HB 3054 passes, our housing stock will actually decrease.

FOCUS ON SUPPLY

HB 3054 pulls the wrong lever. It does nothing to address supply.

Governor Kotek has said that Oregon needs 36,000 new housing units per year. Our State's Economist – just recently, has said we need 29,522 homes each year. This is a far cry from the 13,000 building permits that were drawn in 2024, down from 18,000 permits in 2023.

I hate to compare anything in Oregon to Texas, but just look at what happened in Austin. The local government in Austin focused on increasing development adding many more units to their restricted supply. As a result, rents dropped **12%** year over year. Like Austin, Denver focused on increasing supply and rents dropped.

MHCO understands that increasing incentives for developers to build more parks is a goal for Rep Marsh. Manufactured home parks can be, and are, an avenue for building quick and affordable housing units to meet Oregon's housing goals, especially in rural areas. While Mr. Vanlandingham is correct that new parks have not been built over the past few decades, the reason for that is that rents have not been at a level that makes building a park pencil out. However, the rents that are currently being demanded (and paid by tenants willing to pay the market rate), could change the economics and manufactured home parks can be built.

HB 3054 will ensure that no park will be built in Oregon unless it is funded through public assistance.

HB 3054 is Unfair

MHCO understands the intent of HB 3054 – it is using a blunt object to try to protect Oregon's most vulnerable populations – those on fixed incomes who are having a difficult time affording the rents that the market is otherwise supporting. HB 3054 is simply unfair.

HB 3054 does not differentiate between a tenant who is on a fixed income living in a \$35,000 singlewide, or a tenant making six figures living in a \$300,000 triple wide. There are plenty of the latter who have the means to pay and will enjoy immense benefits from HB 3054 (on the backs of the community owners).

HB 3054 punishes those community owners who have not raised their rents at the maximum allowed under the law year over year. Those owners (who sometimes keep their rents the same for years), will be so far below market under HB 3054 that they will be forced to sell or go bankrupt.

HB 3054 denies a property owner the value of the time spent developing, maintaining and cultivating a property. Rather, HB 3054 transfers that value to the tenant. The value of a manufactured home is the fact that it is in a community.

HB 3054 does not help the thousands of Oregonians who seek out this housing and are willing to pay market price, likely because they cannot find other alternative housing. HB 3054 incentivize current tenants, who will be so far below market to continue to stay in their homes (at depressed rates) depriving these other Oregonians of housing they can otherwise afford.

Finally, HB 3054 demands one set of citizens (Oregonians who have worked their lives developing and running these manufactured home parks) to **subsidize** another set of citizens (their tenants). It is the government's job to create a social safety net. It's not fair to hoist this responsibility on community owners.

Aesthetic Requirements

I want to touch briefly on the other two components. The first is the restriction on aesthetic improvements.

Aesthetic requirements in rules (which are agreed to by a tenant when they move in or are accepted by a majority of tenants per ORS 90.610) are there to preserve the value of the community. These requirements increase the value of the property and the value of the homes. Every tenant (or homeowner) can think of that neighbor that brings their property values down. These requirements are like those in homeowners' associations. If a community owner cannot enforce aesthetic requirements, the overall value of the community (and the homes) will go down.

Inspections

The last portion of HB 3054 restricts inspections when a home is sold from one tenant to another. These inspections rarely happen, but when they do, they are typically for older homes. The concern there is to ensure that the electrical systems (especially in parks with minimal setbacks that are situated very close together) are not going to catch fire because of poor electrical systems. Another issue is to ensure that the home is free from significant mold or rodent problems. There is an aging supply of manufactured homes that likely needs to be demolished. These are not healthy living situations, and these inspections are often the opportunity to get those types of homes out of the supply so that the next tenant is not living in a terrible environment.

HB 3054 will be making Oregon's housing crisis worse. Community owners will be forced to make the hard decision of running their parks only to habitability standards, selling their parks to others or closing parks, taking thousands of affordable units offline. HB 3054 doesn't address the real crisis – supply. In fact, it will guarantee that no new supply in this sector will ever be built (unless it is subsidized). Finally, HB 3054 isn't fair because it doesn't differentiate between vulnerable tenants and those who have the means to pay market rents. Those vulnerable tenants can be better addressed through public housing, Section 8 subsidies or other forms of rent assistance. Nor does it differentiate between community owners who have increased rents to the maximum allowed by law or those who have kept rents down.

For these reasons, MHCO strongly urges you to oppose HB 3054.