

HB 3145 | Testimony of Margaret Van Vliet
March 10, 2025

Chair Marsh, Vice Chair Breese-Iverson, Vice Chair Anderson, members of the committee: my name is Margaret Van Vliet from Portland. I'm here today representing Oregon iSector and the Housing Innovation Partnership. I am also the former director of Oregon Housing and Community Services.

I'll provide an overview of the essential points of this bill and then others will share their business perspectives about the importance of the legislation.

In drafting the concepts of this bill, the Housing Innovation Partnership was keenly interested in advancing factory-built housing for a variety of reasons: the potential for overall cost savings and faster delivery; environmental benefits from reduced construction waste; and safer working conditions at a time when construction workers are in short supply – particularly in rural, remote communities.

We studied how other states and countries are increasingly relying on modular and manufactured homes, with an eye toward removing barriers Oregon producers are facing. Those barriers are numerous, ranging from stigma and consumer lack of awareness of the quality of homes built in factories today; to insufficient technical knowledge of architects, engineers, and general contractors; outdated zoning codes that prohibit them; and the inability to garner private investment or mortgage debt.

The bill provides funding to pilot, or test, the use of factory-built homes in new rental or ownership housing developments. This idea of “piloting” lets developers and homebuilders try deploying factory-built products they might have shied away from previously. It also stimulates demand for factory producers like the ones you'll hear from shortly. And while we're testing this out, we'll see more homes in diverse communities.

The mechanics are straight forward. OHCS will solicit proposals from teams comprised of factory producers and developers – just like they do in the normal course. Those teams will need to have a community and site identified, have a realistic budget, show organizational capacity, and have identified any other sources of capital their project might need.

An advisory committee with state and private sector experts will aid OHCS in establishing criteria. Once pilot projects are selected, they will go through the normal housing finance steps to get to closing.

We're proposing that \$50 million in LIFT funds be carved out for these pilots. In doing so, we hope that some of the traditional developers that use LIFT will participate. Any awarded

projects – rental or homeownership – will serve households at 80% AMI, as the LIFT statute requires.

We've also suggested a complementary general fund ask of \$675k to pay for technical experts we anticipate could be needed up front and over time as the pilots are implemented. Because modular in particular is rarely used, Oregon contractors, engineers, architects, and local communities aren't universally equipped to deploy the product as it comes out of the factory and to the site. To relieve OHCS of the responsibility for identifying and managing these kinds of technical experts, we anticipate a –2 amendment to the bill to name a capable organization to manage these processes and consultants. That will also have the advantage of allowing the implementation process to start quickly in the new biennium.

A word about the math: you'll note that we're suggesting five projects and a combined 200 or more homes. With \$50 million, that works out to \$250k per unit, which is considerably less than what OHCS currently spends for each affordable unit it supports. That \$250k might cover all the costs associated with securing land, producing homes, siting, and other typical development costs. If not, then each pilot project should be able secure debt or other sources of equity to round out their budgets. Appropriateness of leverage will be a factor to consider as proposals come forward.

Finally, I'll point out that we plan to evaluate results and learnings at the end. Issues like actual cost per unit, time involved in production and siting, consumer receptivity, experience of factory workers, and more.

I will conclude there for now but am happy to answer any questions.

Respectfully Submitted

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