

Testimony for HB 2981

To: House Committee on Housing & Homelessness
From: Thomas E. Cody, President & CEO
Date: January 31, 2023

Good morning. We are all aware, although we can argue it takes too long, and costs too much, a system and resources exist for Affordable Housing. And historically, that is where public resources have been focused – units affordable to people making 60% AMI and below and more recently many programs and funding targeting 30% AMI and below. The open market, although less so in rural areas, handles market rate housing – generally, housing affordable to those making 120% AMI and above. The missing middle, housing affordable to those in the 60-120 AMI income band, is a glaring opportunity for the State to step in and incentivize production. These middle-income folks are the heartbeat of our Oregon economy. They are health care workers, construction workers, service-industry workers, child-care providers, and teachers. Without State involvement, housing supply will continue to fall into one of 2 categories: Affordable Housing for low and very low-income people, and housing focused on wealthy people in wealthy communities.

And the good news is, providing supply at these workforce income levels leverages more private investment and requires less public investment on a per unit basis. Whereas an Affordable unit (say in Portland), through the traditional system and funding, costs more than \$500,000/unit and requires gap funding up to \$150,000 per unit, a workforce unit costs \$250,000-\$350,000/unit depending on the typology (low-rise or mid-rise) and gap funding of \$25,000/unit. Less complex to finance, middle-income units can also be delivered faster. The financial incentives in this bill for infrastructure, site prep and loan guarantees could help this workforce housing segment become more viable.

My Company, project[^], an Oregon-based real estate development and investment company, has been working on missing-middle sites in Bend, Medford (for wildfire relief) and in East Portland. And we have studied the landscape carefully to determine why housing costs so much, takes so long, and also why modular housing has never successfully scaled. Based on this research, we have developed a scalable modular housing program that we are beginning to implement. Our target is to scale this endeavor to produce 2,500/units per year in Oregon within 5 years. We own, and are currently permitting, our first phase of sites: 2 acres in Bend, 7.5 acres in Medford, and 5 acres in Portland.

project[^]

The problem is, a problem the State can help solve, is there is no manufacturing enterprise in Oregon with the capacity to serve any meaningful scale. And there is no formal program to incentivize development in our lower income counties. And that is why HB 2981 is so important. There are a number of emerging companies: Intelifab in Klamath Falls, MODS PDX in Portland, BLD House in Redmond, Hacienda at the Mass Timber Innovation Center, and our enterprise, that could harness relatively modest State resources and leverage them with greater private enterprise and investment to create a sustainable ecosystem of Oregon manufacturers. There are also established companies such as Blazer in Aumsville, that could be incentivized to pivot from commercial to residential. A Housing Production Resource Center, as proposed in the bill, will help connect customers with our State's existing and emerging factory housing businesses who are poised to respond to the supply crisis.

With the right building, fitting out a new housing plant for production, is not a capital intensive endeavor. Between \$2,000,000 and \$5,000,000 to start up the enterprise. In its first 2 years, the facility should create 50 new direct factory jobs and 1 modular unit per day. By year 3, 100 new (direct) factory jobs with production of 2 modular units per day. Safety, sustainability, and an equitable and healthy work environment are some of the benefits that come with these factory jobs. It will be far easier, not easy, but far easier to a new and diverse workforce into the construction industry in these conditions. And that is also our aim. This bill will help us, and others, increase modular production here in Oregon to drive up the supply and drive down the cost, of housing. And I am here to appeal to you for your support.

Thank you.