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Report to the 81st Legislative Assembly: Manufactured Dwelling Park Preservation Loan Program

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Background

Manufactured housing is one of the largest sources of naturally occurring affordable homeownership in Oregon and has the potential to provide housing stability and economic security for tens of thousands of Oregonians. Support for manufactured dwelling park purchases by nonprofits and resident cooperatives creates stability and security for some of the most vulnerable homeowners who traditionally rent the land under their homes.

Recognizing the importance of this critical housing stock, the 2019 Oregon Legislature, under House Bill 2896, provided Oregon Housing and Community Services (OHCS) with $9.5 million to administer and fund one or more loans to Community Development Financial Institutions (CDFIs) to create manufactured dwelling park programs that invest in, and provide loans for, the preservation and affordability of manufactured dwelling parks in Oregon (ORS 458.352).

Implementation

In consultation with stakeholders, including the Manufatured Housing Advosory Committee, and with an endorsement from the Housing Stability Council, staff established the program parameters for lending:

- To be eligible for a loan, an applicant must:
  - Be a nonprofit corporation that is a Community Development Financial Institution certified by the U.S. Treasury operating statewide to support investment in, and acquisition, renovation and construction of affordable housing.
  - Have the ability and capacity to develop a manufactured dwelling park preservation program that:
    - Invests in and loans funds to other nonprofit corporations, housing authorities, manufactured dwelling park nonprofit cooperatives, local units of government or any entity in which a nonprofit corporation has a controlling share to purchase or refinance manufactured dwelling parks that are preserved as parks in the long term.
    - Leverages funds loaned by OHCS with other committed sources.

- Loans made by the CDFIs are bridge loans for the acquisition of manufactured dwelling parks and can be revolved back into the CDFI's program once they are taken out by permanent financing.

- Loan terms include, but are not limited to, the following:
  - A nominal interest rate of 0.75% will be charged on funds use for non-wildfire impacted projects. A lower interest rate of 0.25% will be charged for funds used in wildfire-impacted areas.
  - A maturity date of no later than September 15, 2036.
  - No principal payments required before the maturity date.
  - Any losses incurred by the fund will be shared on a pro-rata basis between the OHCS loan and the CDFI's own investment into the fund.

As staff were preparing to accept applications, the devastating Labor Day 2020 wildfires hit, disproportionally impacting manufactured homeowners and damaging or destroying 21 manufactured home parks across the state. At the request of legislators and in consultation with the Manufactured Housing Advisory Committee, which was also established under HB 2896, staff fast-tracked the disbursement of loan funds so that qualified CDFIs could make funding available quickly to nonprofits and resident cooperatives purchasing and preserving parks, including those that were impacted by natural disasters. Legislative fixes championed by Rep. Pam Marsh passed in the 2021 legislative session (House Bill 3218) to allow for more flexibility in using loan funds to respond appropriately to natural disasters.

In April 2021, CASA of Oregon and the Network for Oregon Affordable Housing (NOAH), both CDFIs with extensive experience in manufactured dwelling park preservation, applied for funding and each received $4.5 million.

Program Status
As of September 1, 2021, CASA of Oregon and NOAH have utilized 76% of loan funds by jointly funding the preservation of two manufactured dwelling parks, representing 282 spaces, through resident ownership.

Loan funds provided by OHCS have been leveraged with other funding by at least 2:1 for investments. Specific funding breakdown for each transaction is as follows:

Harbor Village Cooperative Newport, OR		**Primary**	**OHCS**	**Total Loan**		**OHCS %**
	NOAH	$6,825,000	$1,190,000	$8,015,000		14.8%
	CASA	$2,266,667	$1,133,333	$3,400,000		33.3%
	Total	**$9,091,667**	**$2,323,333**	**$11,415,000**		**20.4%**

Filbert Grove Cooperative Springfield, OR		Primary	OHCS	Total Loan		OHCS %
	NOAH	$8,107,336	$1,840,000	$9,947,336		18.5%
	CASA	$980,221	$2,703,779	$3,684,000		73.4%
	Total	**$9,087,557**	**$4,543,779**	**$13,631,336**		**33.3%**

Aggregate income and demographic data for the two manufactured dwelling parks preserved is as follows:

Aggregate Income Information		
% < MFI	**MFI**	**# Surveyed**
20%	<30%	38
41%	< 50%	80
53%	<60%	103
74%	<80%	143
26%	>80%	51

Aggregate Demographic Information	192 Surveyed
White	95%
Black	1%
Latino/Hispanic	2%
Asian	1%
Indigenous	2%
Pacific Islander	1%
Agricultural Worker	3%
Wildfire Survivor	3%
Veteran	13%
Senior	78%
Disabled	22%

Lessons Learned and Next Steps:

CDFI borrowers underscored the value in being able to pool funding to collaborate on park preservation projects, particularly on ones with higher total project costs. They also stressed the importance of clear expectations on leverage requirements and appreciated the flexibility to utilize funds for both parks impacted by wildfires and those that weren't. Finally, offering low interest rates on funds loaned to the CDFIs has enabled them to provide affordable project financing that, in many cases, is the only way to ensure a preservation project is financially feasible for park residents and that any necessary space rent increases are as low as possible.

OHCS received $7 million in additional funding for both manufactured dwelling park preservation and manufactured home replacements during the 2021 legislative session (HB 5011). This additional support from the Legislature will enable OHCS to continue much-needed support for preservation of this critical affordable housing stock, as well as provide partners with the resources they need to respond quickly to park purchase opportunities in what remains an extremely competitive investment market. Staff plans to incorporate lessons learned from the first round of financing as they lend $4.5 million of the $7 million for the conversion of additional manufactured dwelling parks to nonprofit, local government, or resident ownership.