

Senate Committee on Housing and Development

Virtual Hearing: Remote C

Tuesday, May 4, 2021

Hearing on HB 2364

Testimony by: Angela Garvin, Oregon Floating Home Owners/Tenants Representative

Chair Jama and members of the Housing Committee,

Thank you to the committee for this opportunity to allow me to testify in support of HB 2364, improving the Opportunity to Purchase laws for park and marina tenants.

My name is Angela Garvin. I am a floating home owner and founder of FHO (Floating Home Owners - a floating home tenant group representing about 60% of the rental marinas in Oregon) and an active member of OSTA (Oregon State Tenants Association).

I live in a marina where I own my floating home and rent my slip. This is similar to manufactured home parks where the homeowners own their homes and rent their land.

Floating homes are not houseboats – they are simply houses that float on top of water. They have no motor or form of self-propulsion. Most floating homes cannot be moved due to condition. But mainly, there aren't really available slips to move floating homes into, once the rent becomes too high or if your landlord reduces services.

As is true with manufactured houses, floating homes in rental marinas are attractive to older populations. Most of my neighbors are retired and living on fixed incomes and

have purchased their forever home on the water to live out the remainder of their years fishing and boating with friends and grandchildren.

The very reason that home ownership is such an attractive part of the American Dream is because it provides the home owner with the following:

1. The ability to **build equity**
2. The ability to **take that equity with you** if and when you relocate so that you can **afford to purchase other housing** in the future or pass on something to your children.
3. The **stability of fixed monthly payments**, while typical apartment rents rise with inflation

But park and marina home owners, on top of the initial investment in their homes and further expenditures for home upkeep and maintenance, also pay rent to a landlord who owns the land in a park or holds the water rights for the marina.

Because park and marina landlords do NOT have to provide the dwelling to the tenant and are under no financial responsibility to maintain the tenants' residences, rents are typically more affordable for residents than apartment rents, making possible the dream of homeownership for low income residents or retirees on fixed incomes.

Everything a home owner can or cannot do in a park or marina is regulated by the landlord. Landlords can increase rents for any reason and Oregon law does not allow park and marina tenants any mechanism for home owners to challenge their rent increases as is provided in other jurisdictions or states, nor does it require the park or marina owners to invest any portion of the rent into the infrastructure. In fact, some park or marina landlords allow their property to fall into disrepair while claiming needed infrastructure repair as a justification for increasing rents. In this way, the price of the park or marina neglect is passed onto homeowners by devaluing their homes.

When tenants OWN their marinas, they always invest in infrastructure, their cooperative goals are to improve or maintain the value of the residents' homes...and their primary

aim is NOT to produce a profit for vacations and second homes for a single owner, but to run the community for the benefit of all residents.

The other side of the issue is that park and marina tenants are viewed as captive income with little choice but to surrender part of their homes' long-earned equity to the landlord at every annual rent increase.

Private Equity companies have noticed the captive income potential in parks and marinas. They are purchasing parks and marinas, driving up rent, and displacing homeowners who have invested in their homes for, sometimes, decades. Even mom and pop landlords are now increasing rents between 9 and 10 percent year-over-year which means that homeowners are forced to reduce the price of their homes in order to sell them, which also means less money they have to invest in their next home.

Real estate investors and homeowners have seen their property values rise by an average annual appreciation rate of 4.78% in Portland (data: Neighborhood Scout) in 2020. So when landlords raise rents above this level, not only are they taking 100% of the home's annual appreciation for themselves, but they are also reaching in and extracting the home's equity. This is how the landlords take away years of a homeowners' investment into their own property.

Any investment a tenant makes in their park or marina home, whether they purchase a new roof or make upgrades to the siding, with an annual increase between 9-10%, it's easy to see that the homeowner will never recuperate that investment because the landlord has taken the homeowner's home investment as the landlord's own profit.

Our captive marina community has been hit especially hard because our marina owner has increased rents to the maximum allowed by the law for the last 2 years in a row, causing 22% of our residents to leave their homes - that is double the rate of rental marina communities where landlords are not raising rent beyond CPI.

This destroys our communities and decimates tenants' abilities to unite in active and effective tenants' associations which the law encourages and protects when long term residents are replaced by new residents who don't want to "rock the boat."

The current environment for park and marina tenants is neither stable nor conducive to building or maintaining home equity. In fact, the opposite is true. A landlord can, at will, extract equity from a park or marina resident's home leaving them trapped in a cycle in which they cannot escape.

There is only one way out and one way to keep our homes and that is to purchase the marina. It is terribly difficult to organize over 50-100 households to determine how to do this.

What's more, floating home marina landlords do NOT have access to the extra ORS-created incentives that park owners have to sell their parks to tenants (such as the capital gains tax break – which does not apply to marina sellers and lending institution housing loan products).

Currently, CASA also does not help floating home tenants navigate the process or provide access to public and nonprofit funding that might be available to help them purchase.

Floating home owners in rented slips truly are on our own to compete to purchase against investors. We have no tools, no tax incentives, no funding products that have been developed for us, nor organizational resources to help us.

Passing HB 2364 would buy tenants additional time to be able to realistically compete and potentially, take ownership of our housing situation, which will add stability to our community and stop our residents from being forced to sell their homes and end their floating home ownership dream. Purchasing our marina is the only way our low and fixed income residents can keep our homes.

No doubt you will hear today that LLs feel that 10% is too great a penalty for not complying with the law...this demonstrates that LLs are still continuing to weigh risks of not complying with the law as compared to selling without notifying tenants. They are actively concerned about what penalties they would have, if they do not comply.

The current reality is that some landlords are simply not giving tenants the required intent to sell notice, when an attractive offer comes along, because the current penalty

of 2 months rent IF the tenants choose to sue, is currently so low, that many LLs consider it just a cost of doing business in a transaction that could lead to a sales price in the millions.

The best way for a landlord to avoid the penalty is to simply follow the law and give tenants a chance to compete in the purchase.

When a landlord sells the marina without giving tenants any notice or opportunity to purchase as is required by law, it devastates the community. It may be **decades** before the same tenants get an opportunity to purchase their community again. Afterall, it's the captive market of parks and marinas (not the free market) that makes a park or marina purchase an ideal investment for those seeking profits. Investors earning 9-10% annual returns don't sell off their investments often.

So when considering the 10% purchase price penalty for landlord who chose profit over compliance with the law, you must also consider the result of that landlord's decision. Hundreds of tenants would likely be subject to decades of 9% annual rent increases. In my marina alone, if the marina owner chose to sell the marina to an investor instead of the tenants, 5 more years of rent increases at the maximum allowed by law would cost tenants not only the satisfaction of having a vote on what happens in their community, but it would cost them over \$300,000 in rent increases alone in just 5 years.

Why should tenants be punished twice when a landlord chooses to violate the Opportunity to Purchase law?

So when we are evaluating the 10% of the purchase price penalty, we must compare the actual cost that real tenants will end up bearing when a landlord fails to comply with the law and instead sells the park or marina to a for-profit business or investor. Tenants shouldn't be asked to bear 100% of the damages when a landlord doesn't comply with the law.

Please support HB 2364 so that the current barriers to fair competition can be lifted and we can give homeowners a chance to stay in their homes as long as they wish.

Angela Garvin, Floating Home Owner Tenant