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March 22, 2013

VIA EMAIL

Planning and Sustainability Commission
City of Portland
1900 SW 4th Avenue
7th Floor, Suite 7100
Portland, OR 97201-5380

Re: Hayden Island Enterprises
Hayden Island Manufactured Home Community
West Hayden Island – Housing Funds

Dear Commissioners:

As you know, this firm represents Hayden Island Enterprises, the owners and operators of Hayden Island Manufactured Home Community (“HIMHC”). This letter is a follow up to our discussion about the proposed housing funds at the February 26, 2013 West Hayden Island Work Session. We wanted to provide the Commission more specific responses and information about HIMHC, ensure the Commission clearly understands our position regarding the use of the housing funds and address the timing of the housing funds.

A. Background information regarding HIMHC.

Hayden Island Enterprises has owned and operated HIMHC for over 20 years. Hayden Island Enterprises is managed by Lautrec, Ltd. which only manages communities of which they are affiliated. Lautrec, Ltd. owns and operates more than 30 manufactured home communities throughout the United States. Hayden Island Enterprises is committed to owning and operating the community. That is why Hayden Island Enterprises supported the 2009 Hayden Island Plan rezone of the eastern portion of the community from commercial (CG) to residential (R2) notwithstanding the loss in property value and lucrative offers to purchase the property for commercial redevelopment.

As BPS explained in its February 5, 2013 Memorandum to the Commission, HIMHC is a valuable affordable housing resource for the City and the only such resource available on Hayden Island. HIMHC consists of 440 manufactured home sites, 169 RV sites and approximately 1,500 residents. The average length of residency at the community is approximately seven (7) years, but there are many longer term residents. HIMHC is a desirable community that is virtually 100% occupied. Currently, there is only one vacant manufactured home site in the community.

As BPS noted, there are a significant number of older manufactured homes that currently occupy the community. In terms of evaluating the quality of manufactured homes, 1976 is an important demarcation. That was the year the U.S. Department of Housing and Urban Development's Manufactured Home Construction and Safety Standards ("HUD Code") went into effect. The HUD Code significantly improved the standards and requirements for constructing manufactured homes. Approximately forty percent (40%) of the manufactured homes currently located in the community were constructed in 1976 or later, and therefore were built pursuant to the HUD Code standards. The remaining manufactured homes are pre-1976.

B. Comments on the use of the housing funds.

The housing funds are a critical element of the West Hayden Island Plan. As you know, the Port project will cause substantial air quality, noise, vibration, light, community and housing impacts, to the residents on Hayden Island. The Health Analysis determined that these impacts will be disproportionately borne by the residents of HIMHC. HIMHC will be more severely impacted due to its proximity to the project site, the nature of manufactured homes and the greater susceptibility of its residents to these impacts. Therefore, the housing funds are a necessary and important mitigation measure to ensure that these impacts are mitigated to the greatest extent possible and this important affordable housing resource is preserved.

The housing funds must be used wisely to ensure the greatest benefit for the largest number of community residents. We believe the best use for the housing funds is to assist with the replacement of the significant number of older manufactured homes in the community. Newer homes are better constructed and have more insulation so they will mitigate air quality, noise and vibration impacts. New manufactured homes generally cost from as low as \$40,000-\$50,000, but can be higher for larger homes dependent on the amenities, features, etc. As we have previously stated, Hayden Island Enterprises is willing to agree to longer term leases (3-year as opposed to 1-year lease term with the purchase of a brand new home) to help facilitate such a program. We believe that home replacement is a much more effective use of the money than upgrading existing homes.

The City should also consider using the funds for community improvements that benefit the community as a whole. An aesthetically pleasing sound wall would mitigate sound, vibration and light impacts for the entire community. Section 3.1 of the IGA already references buffering treatments along North Hayden Island Drive ("NHID"). Additionally, truck traffic associated with the project should be prohibited or restricted at night. The Health Analysis identified sleep deprivation as a major negative health impact.

As we indicated at the February 26, 2013 Work Session, Hayden Island Enterprises is strongly opposed to using the funds for relocating residents out of the community. Providing financial incentives for people to leave would seriously undermine the economic viability of the community. Residents leaving the community would increase costs for the remaining residents and make it more difficult to attract new residents. Using the funds for relocation would take funds away from those residents who remain and would actually be impacted by the project. If too many residents relocated, it could make the community financially infeasible and result in a

community closure.¹ Not only would this negatively impact the residents whom want to remain, but it would significantly exacerbate the already significant impacts on Hayden Island Enterprises. Given Hayden Island Enterprises' willingness to support the 2009 rezone of the eastern portion of the community to preserve this important affordable housing resource, it would be egregious for the City to adopt a program that undermines the viability of the community when it should be mitigating the impacts from the Port project.

Finally, we want to respond to the suggestion that perhaps the funds should be used to buy out the entire community. Hayden Island Enterprises is not interested in selling the community and should not be forced to do so as a result of impacts from the Port project. Approximately 1,500 residents live in the community, many of whom have been long-time residents, and they should not be forced to leave their homes as a result of the project. The proposed housing funds are well below the costs to compensate Hayden Island Enterprises and the residents for such a taking. As BPS explained, the cost to replace an affordable housing resource of this size could cost the City close to \$80 million. If the project and HIMHC cannot coexist, the City should not approve the project. Closing the community is an unacceptable result of the project, not a mitigation measure.

C. Timing of the housing fund program.

While we agree the timing of the housing fund program should be linked more closely to the commencement of the construction activity, it is important to provide sufficient lead time to ensure that there is adequate time to implement the program. The creation and implementation of the housing fund program will certainly take time. The impacts from the project will start immediately upon commencement of the construction. Therefore, the program should be funded at least 12 months before the construction commences.

Additionally, it is important that a specific amount of housing funds be designated now as part of the IGA as opposed to deferring that decision. Deferring the decision would create a risk that the Port would later claim it is no longer financially feasible to fund the program. If the City and the Port are committed to mitigating the impacts to the community, they should be willing to commit to a specific amount now. The funding should be at least \$3.6 million, with the potential for additional funds if it is later determined that the need is greater than anticipated.

¹ Manufactured home park closures have significantly increased in Oregon over the last decade due to financial constraints. Since January of 2003, 65 manufactured home parks have closed for a loss of 2,673 spaces.

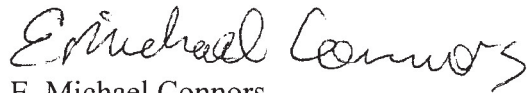
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Thank you for considering this letter. We hope that it will assist you as you continue through this process and improve upon the important work that has been done to date on this project.

Very truly yours,

HATHAWAY KOBACK CONNORS LLP

A handwritten signature in cursive script that reads "E. Michael Connors". The signature is written in black ink and is positioned above the printed name.

E. Michael Connors

EMC/df

cc: Hayden Island Enterprises