



TESTIMONY FOR THE RECORD

The Manufactured Housing Institute

Before the:

Maine Housing and Urban Development Committee

Regarding:

LD 1016

March 31, 2025

Thank you for the opportunity to testify before the committee in opposition to Legislative Document 1016. This written testimony is a supplement to my statement and includes information requested by Committee members during the hearing.

The Manufactured Housing Institute (MHI) is the only national trade association that represents every segment of the factory-built housing industry. Our members include builders, suppliers, retail sellers, lenders, installers, community owners, community managers, and others who serve our industry, as well as 48 affiliated state organizations. In 2024, our industry built 103,314 homes, produced by 38 U.S. corporations in 152 homebuilding facilities across the country. About 30% of newly constructed manufactured homes are placed in land-lease communities.

MHI has been a leader in working to support quality homeownership through land-lease manufactured housing communities. This includes the value proposition and support for residents. Through our National Communities Council (NCC), MHI has adopted a Code of Ethics, which outlines principles that NCC members must subscribe to as part of their membership with MHI. These principles focus on promoting the benefits of manufactured housing and land-lease communities, as well as customer and resident relations, including engaging in conduct that promotes and enhances the public image of manufactured housing and land-lease communities and promoting positive customer and resident relations as an essential responsibility.

On behalf of MHI, I urge you to carefully consider the implications of this bill on the existence of manufactured housing communities in Maine, which have been a source of quality and affordable unsubsidized housing for half a century. Even as amended, the per-lot fees LD 1016 would impose will be harmful for those who live in manufactured housing communities because it will drive out capital at a time when aging communities are in need of funding and stability to preserve aging infrastructure. While the goal of the bill is admirable, the solution is detrimental as it will inevitably lead to community deterioration and closures. The bill's blunt and economically harmful mechanism actually undermines the goal advocates seek, which is to preserve one of Maine's most effective affordable housing models.

I. Manufactured Housing Communities: A Critical, Unsubsidized Resource

Land-lease manufactured housing communities are a foundational part of Maine's affordable housing stock. These communities provide an effective way for residents to become homeowners without the substantial barrier to entry posed by the down payment necessary for purchasing land. Land-lease manufactured home communities allow residents to own more home for less of an up-front investment.

MHI's research consistently indicates high satisfaction rates among residents of land-lease communities. U.S. Census data and MHI's independent research show that manufactured housing residents report high levels of satisfaction with their housing choice and are likely to recommend it to others. According to MHI's research, affordability and the ability to own a home are the top reasons for selecting manufactured housing communities. Given the financial and lifestyle benefits of owning a manufactured home versus the limitations of renting an apartment or buying a condominium or site-built home, millions of individuals, families, and retirees have chosen to live in land-lease manufactured housing communities.

Professional community management supports not only the overall appearance of the community but also ensures that infrastructure (i.e., water, sewer, roadways, and amenities) are safe and reliable. Dedicated investor owners have the resources and expertise to steadily reinvest in the communities to ensure quality of life for residents. Capital expenditures by professionally managed community operators have continued to increase annually, at faster rates than rent adjustments.

Land-lease communities offer substantial lifestyle and community benefits that go far beyond cost. Residents cite reasons such as having a yard, not sharing walls with neighbors, access to social programming, and professionally managed amenities like walking trails, clubhouses, and fitness centers. Consumer satisfaction in these communities is empirically supported. MHI research shows that while acknowledging rent increases, residents universally report that the increases are similar or lower than other comparable housing options, and they are getting more for their money in land-lease communities. Very few indicate that rent is too high. This is likely because all-in housing costs in land-lease communities are consistently lower than other housing options, and rent increases for land-lease communities are consistently below average rent increases in other housing markets.

II. The Harmful Consequences of LD 1016

LD 1016's punitive transfer assessment will do nothing other than create economic disruption and housing instability. Most of Maine's communities were built decades ago and now require extensive repairs to infrastructure such as roads, sewer, gas, and water systems. Owners and operators need access to capital, not additional transaction costs, to remain viable.

Rather than encourage preservation and discourage community closures, the fee would instead discourage responsible reinvestment. It is beneficial for residents for a community owner to have the resources needed to address long-neglected infrastructure problems in communities. It benefits residents when owners have the resources for needed infrastructure upgrades as communities age. This legislation will ensure that such resources are not available. Owners may avoid improvements, delay generational transfers, or exit the market altogether. In areas with rising land values, some may sell the community for the highest and best use, thereby removing a source of affordable housing entirely. There is no question that this legislation will only accelerate the very displacement and housing instability it is intended to prevent.

By limiting the ability of investors, whether individual, cooperative or institutional, to recover the costs of maintaining and improving communities, LD 1016 may unintentionally reduce the quality and sustainability of affordable housing. All stakeholders can likely agree that one of the root causes of the affordable housing crisis is a lack of supply. Reducing the incentives to maintain or improve existing housing stock only deepens this crisis, particularly when capital improvements become increasingly difficult to finance.

Resident-owned communities are not immune to these financial realities. Many of the loans used to finance these resident purchases are issued at a loan-to-value ratio exceeding 100%, meaning that residents start with negative equity in the property. Without equity, residents have little to no ability to access additional capital for reinvestment, unless they either raise rents or seek government subsidies. This financial model is inherently unstable.

III. Financial Concerns

The loans being offered to residents closely resemble the subprime mortgages that played a central role in the 2008 financial crisis, now being issued in the tens of millions of dollars. Just as that crisis took years to fully unfold, there is a risk of planting the seeds of a similar long-term problem. Promoting this form of housing finance may provide short-term solutions, but it ultimately places vulnerable communities at significant financial risk. When the consequences inevitably emerge, whether through widespread loan defaults or collapsing property values, the burden will fall on the government to intervene, as residents will have few, if any, alternative housing options. This great risk of financial distress to not only communities and residents, but also to the State of Maine, severely outweighs any purported benefit.

If the 2008 financial crisis was indicative, it's that extending unsustainable debt to people without adequate repayment capacity leads to financial instability and, ultimately, the need for government intervention. Unlike traditional land-lease models, where community owners are typically required to retain 30-40% equity to meet standard financing requirements, these resident-ownership structures allow for – and often rely on – entirely debt-funded transactions.

IV. Legal and Constitutional Concerns

While LD 1016 presents itself as a housing policy, it raises serious constitutional and economic concerns that the Legislature should not ignore.

A. Equal Protection and Takings

The bill's fee structure imposes a wealth-based penalty on certain purchasers based solely on their financial capacity—not on their conduct or any demonstrated harm. This kind of discriminatory burden invites challenge under the Equal Protection Clause of the U.S. Constitution. It further operates as a confiscatory exaction, compelling private parties to subsidize a public program without any individualized connection to a regulatory cost, harm, or benefit. In effect, it appropriates private capital to serve a broader social objective—without just compensation—raising serious concerns under the Takings Clause.

B. Dormant Commerce Clause and Capital Flight

LD 1016 also implicates the Dormant Commerce Clause by effectively discouraging investment from regional and national companies—penalizing purchasers based on their geographic origin or business structure. The U.S. Constitution prohibits states from enacting laws that unduly burden or discriminate against interstate commerce, and this bill does exactly that.

Just as important, the practical effect of this policy is deeply counterproductive. The capital used to acquire, maintain, and improve manufactured housing communities often comes from regional or national sources. These are the very investors with the resources and expertise to ensure long-term community stability. By penalizing larger or out-of-state entities, LD 1016 would deprive community owners of one of their most viable sources of financing—discouraging reinvestment and disqualifying some of the most responsible and experienced operators from ever entering the Maine market.

In short, LD 1016 imposes a legally dubious and economically destructive framework. It functions as a confiscatory exaction—constitutionally vulnerable and practically harmful. If enacted, it would likely trigger legal challenges while simultaneously undermining the capital foundation needed to preserve and improve affordable housing in Maine.

V. The “Resident-Owned” Model: Misrepresented as a Solution

MHI is concerned that this bill is not only harming residents by putting the communities at risk of deterioration and eventual closure but also directly harming them financially by codifying the legislature's preference for ownership structures that are not beneficial to the residents.

Under the traditional land-lease model, the resident owns the home but rents the property on which the home sits. Under the rental model, the resident rents the home and the land. Under the community land trust model, the land is owned by a third party, and each of the residents in the community owns their home and rents the property on which their homes sit.

Under the resident-owned community model, residents join together in purchasing the community. Because they each have an equity ownership stake in the land, residents would share in the proceeds of any future sale of the community. However, in the limited-equity model—often misleadingly called “resident-owned”—residents work with a non-profit and its for-profit affiliates to purchase the community. This model can mislead residents into believing they have meaningful equity in the land, but the community is often heavily leveraged. While promoted as a pathway to empowerment, residents often gain no real ownership stake.

Lot rents are often raised to market rates to service the debt, and when the land is sold, the proceeds flow to the non-profit entities that orchestrated the deal, not the residents. Upon resale, residents typically do not benefit from increased land values, as the land often reverts to the non-profit entity involved in the original transaction. Meanwhile, affiliated for-profit organizations collect service fees, while residents bear the financial and operational risk. Essentially, residents are being convinced to buy the land for the non-profit, and the financial fallout may take years to surface, but when it does, residents will suffer, and the state may be left to pick up the pieces. Encouraging this type of housing financing is akin to subprime lending, which creates long-term instability. The financial fallout may take years to surface, but when it does, the government will be on the hook to save these communities as the residents will have nowhere else to go.

The dynamic is especially concerning given what we learned from the 2008 financial crisis: that flooding consumers with debt they cannot reasonably repay leads to long-term instability and, eventually, public intervention. The current ROC financing schemes resemble subprime lending—loans made not because they are sustainable but because the model depends on them. This practice is setting these communities up for future problems that may take years to manifest.

In summary, while the resident ownership model is often presented as a solution to affordability and displacement, the financing structures underpinning these conversions carry significant risks. Without meaningful equity, residents are left with the burdens of ownership without the benefits, and without the ability to reinvest, the long-term sustainability of these communities is jeopardized.

VI. Conclusion

Rather than discouraging investment, Maine should seek to preserve manufactured housing communities. As housing costs have increased substantially, some residents in Maine manufactured housing communities will need housing assistance. These communities have historically been unsubsidized, but with rising costs, some residents would benefit from support similar to that offered to residents in other housing types. Additionally, as manufactured housing communities continue to age, we believe it is important to support tools that will enable their preservation and rehabilitation.

Manufactured housing communities are not a policy experiment; they are a proven, high-demand solution to Maine’s housing affordability crisis. Residents enjoy lower costs, high satisfaction, community amenities, and a pathway to homeownership that is within reach. The government has benefitted because residents have been unsubsidized, and private owners have managed the land and infrastructure, including utilities. LD 1016 threatens to destabilize this important source of housing by discouraging investment, penalizing transfers, and promoting a singular form of ownership that has not demonstrated better results.

On behalf of operators, investors, and the residents they serve, I urge this Committee to reject LD 1016. Let us pursue housing policy that expands affordability through inclusion, investment, and innovation—not through punitive assessments and artificial ownership mandates.

Thank you for your time and thoughtful consideration.