

LD-1534 Testimony

Dear Senator Curry, Representative Gere, and honorable members of the Joint Standing Committee on Housing and Economic Development,

My name is Nick Beers, and together with my wife Samantha we own and operate a couple of small mobile home communities in the mid-coast area. I am writing to express my concerns with this bill in its current form. While I can imagine how this bill likely started from a place of good intentions, I think that it substantially misses the mark in key areas and will result in substantially diminished investment in affordable housing at a time that could not be worse.

I understand that this bill is not formally imposing rent control on any municipality at this time, however it is important to recognize that if it passes this will likely become the de-facto language used for local rent control ordinances, and the bill should be viewed through this lens.

I believe the following are the major short-comings of this bill as it is written currently:

- The 12-month look-back proposed in this bill would be disastrous for anyone who has recently made a major investment into repairing a rental property. These investments are made with a long-term view and often with very narrow margins. Property owners could find themselves in a position where they are forced to return to a rent that does not cover financing charges for recent repairs or upgrades. Simply presenting the risk of this will deeply discourage owners from investing in their properties, starting immediately.
- There should be exceptions for expenditures that exceed CPI. Please consider the case of a Tenant who has caused serious damage (pet damage, fire, or flooding etc) to a rental unit. Under this proposal the rent quite possibly may not justify even repairing the unit and returning it to the Market.
- Vacant & refurbished units should be able to come on-market at current market-rents. Much of the housing supply in Maine is older and will need serious investments over the coming decades to remain viable. Think about new roofs, energy efficiency standards, and 50-100 year old plumbing and electrical that is far past it's useful life. The cost of these repairs will continue to grow and property owners may simply not be able to do the necessary repairs under this proposal.
- I would propose that units that are newly-constructed following passage of any rent control measure should be exempt entirely. I think this could create a "have your cake and eat it too" scenario where the existing housing stock is preserved as

affordable housing, while still incentivizing the development of new rental housing. Please identify that this is a multi-faceted problem and increasing supply will be a huge part of any solution. Anything that can be done to incentivize additional supply should be done...especially if it is at no cost to existing supply.

- By proposing rent control that is the “lesser of” CPI or 5%, this bill would guarantee that property owners will slowly lose the ability to generate any sort of profit over long periods of time. I can’t think of a faster way to dis-incentivize investment into affordable housing. It will become a run-to-failure type scenario. We recommend tying any rent control to CPI +1%. I believe this could also achieve a high level of stability for residents while encouraging owners to continue investing in their properties.

Years that Inflation significantly exceeded 5% according to the Fed:

1917	1943	1970	1979
1918	1946	1974	1980
1919	1947	1975	1981
1920	1948	1976	1982
1941	1951	1977	1990
1942	1969	1978	2022

A total of 24 out of the last 112 years, or 21% of the time inflation has exceeded 5%. I imagine we can all agree this is far beyond the control of Property Owners. Look no further than the results of the recent Covid Stimulus and the current Tariff proposals by the federal government.

I respectfully recommend that this bill should receive a vote of “ought not pass” in it’s current form. Thank you for your time.

Sincerely,

Nick Beers