TESTIMONY FOR THE RECORD

The Manufactured Housing Institute

Before the:

Joint Standing Committee on Housing and Economic Development

Regarding:

LD 1723

May 2, 2025

1655 Fort Myer Drive, Suite 200, Arlington, VA 22209

Thank you for the opportunity to submit testimony on behalf of the Manufactured Housing Institute ("MHI") in strong opposition to LD 1723, titled "An Act to Amend the Laws Governing Manufactured Housing Communities to Prevent Excessive Rent and Fees Increases."

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 which were produced by 38 U.S. corporations in 152 homebuilding facilities located across the country. About thirty-percent 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. Through our National Communities Council, MHI has adopted a Code of Ethics, which outlines eight 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. This includes engaging in conduct and actions that promote and enhance the public image of manufactured housing and land-lease manufactured housing 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. We are concerned the legislation 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 community 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.

MHI urges you to carefully consider the implications of this bill. LD 1723 threatens to destabilize a critical segment of Maine's affordable housing market. Rent control measures, such as those proposed in this bill, inherently discourage investment in mobile home parks. By capping rent increases, landlords are disincentivized from making necessary improvements, leading to deteriorating park conditions. Investors may choose to sell or convert parks rather than operate under restrictive rent caps, further reducing the availability of affordable housing. Additionally, landlords may be forced to cut back on essential repairs and services when they cannot adjust rents to meet rising operational costs.

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 the purchase of 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 shows that manufactured housing residents report high levels of satisfaction with their housing choice and that they 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 that come with renting an apartment or buying a condominium or other 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 the 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 including walking trails, clubhouses, and fitness centers. Consumer satisfaction in these communities is not anecdotal, it is empirically supported. MHI research shows that, while acknowledging that rents have increased, residents who lease in a community universally report that the increases are similar or lower than other comparable housing options and that they are getting more for their money in the land-lease community. Very few indicate that the rent is too high. This is likely because all-in housing costs in land-lease communities are consistently lower than other comparable housing options and site-rent increases for land-lease manufactured home communities are consistently below average rent increases or average housing increases.

II. The Harmful Consequences of LD 1723

LD 1723's proposed cap on lot rents and associated fee increases, capped at 10% over a four-year period, will implement an arbitrary and unworkable price control that will harm land-lease residents and community owners. This artificial ceiling is not tied to any inflation index, regional economic indicator, or cost-of-living adjustment. It is an arbitrary figure without foundation in current economic data or market realities. Manufactured housing communities are not monolithic. Costs vary dramatically based on geography, infrastructure age, maintenance needs, and changes in municipal property taxes or utility rates.

The proposed cap on rent increases—10% over four years—fails to account for inflation and rising costs. This artificial suppression of rent increases can lead to higher upfront rental costs as landlords attempt to mitigate future losses. Moreover, it reduces incentives for the development of new parks, exacerbating the long-term shortage of affordable housing options. Instead of stabilizing rents, these policies could lead to housing shortages, increased black-market leasing (under-the-table agreements), and a decline in overall housing quality.

Manufactured home park owners bear significant costs in maintaining common areas and infrastructure. The proposed legislation does not adequately address these cost increases, disproportionately impacting small park owners who may lack the financial resilience to absorb such constraints. This unfair burden could lead to the closure of parks, further diminishing housing availability. The legislation assumes landlords have excess profits, but many park owners operate on thin margins and depend on rent adjustments to sustain the property.

Such a cap, applied indiscriminately, may result in situations where rent cannot keep pace with rising costs of operation, including necessary reinvestment into roads, water systems, septic infrastructure, storm drainage, or public safety compliance. LD 1723 would effectively bar owners from recovering their costs unless they successfully navigate a burdensome exemption process, which itself is discretionary, opaque, and unpredictable. This policy disincentivizes maintenance and reinvestment. Instead, the legislation actively disregards the needs of land-lease communities in favor of the limited equity resident ownership model.

Though the bill does allow for exemptions from the rent cap in cases of rising taxes, utility costs, or infrastructure improvements, the procedure to obtain such an exemption is burdensome and inherently flawed. Owners must seek approval from the Manufactured Housing Board and simultaneously notify all residents by certified mail. This is costly and time-consuming, particularly for small park operators who may not have legal counsel or administrative staff. The exemption criteria are vaguely defined, and decisions are left to the discretion of an unelected regulatory board with no clear timeline for resolution. There is no guarantee that legitimate increases will be approved. In practice, this will pressure many owners to absorb unrecoverable losses or under-maintain communities, creating the very deterioration LD 1723 claims to prevent.

III. LD 1723's Selective Regulation Creates Unequal Treatment

Perhaps the most glaring defect in LD 1723 is its explicit exemption for resident-owned manufactured housing communities. The bill makes clear that rent control does not apply to communities where residents have formed a limited equity resident ownership ("LEO") model. This carveout creates a dual regulatory system based not on operational realities, but on ownership structure alone. Both private and LEO owners manage the same type of communities, serve similar resident populations, and are subject to the same market pressures. Yet only one group is forced to comply with price ceilings, while the other is granted full autonomy. However, the LEO model is subject to fundamental flaws that are not as rampant in land-lease communities.

IV. Flaws in the Limited Equity Resident Ownership Model

It is critical to fully understand the inherent dangers these structures pose to residents. Limited equity ownership is often promoted as empowering, but in practice, residents face immediate rent hikes—often abruptly adjusted to "market rate"—without the gradual increases typical of traditional land-lease communities. Evidence clearly shows that residents typically incur greater financial burdens under limited equity ownership model structures compared to land-lease arrangements, without the corresponding benefit of genuine equity growth or tangible financial security. Residents in limited equity models assume responsibility not only for fixed costs but also unexpected financial liabilities, placing them at continual risk. Despite heavy investments, residents do not gain individual property ownership or build personal wealth, as their equity remains static and offers no meaningful payout upon departure. Ultimately, limited equity ownership creates significant long-term financial vulnerabilities, making these models far more harmful to residents than the more stable, predictable land-lease community structure, which the legislature should instead seek to strengthen and protect.

In summary, while the limited equity resident ownership model is often presented as a solution to affordability and displacement, the financing structures 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.

Before embracing policies that inadvertently harm the residents they purport to serve, such as LD 1723, MHI urges this Committee to conduct a rigorous and transparent evaluation of the true impacts on residents. In MHI's assessment, the land-lease community model—when fairly and professionally operated—continues to offer greater stability, lower resident costs, and more predictable long-term viability than its "resident-owned in name only" counterpart. The legislature should focus its efforts on supporting affordability within this proven framework, rather than advancing models that shift significant financial risk onto the very households they are intended to protect.

V. The Realities of The Limited Equity Ownership Model

Overtime, numerous resident owned communities have failed outright, ultimately selling their properties to professional investors who bring back stability, capital, and expertise. These transitions often lead to improved conditions, well-defined lease agreements, enhanced amenities, and the elimination of deferred maintenance.

Recent examples reveal significant shortcomings in the limited equity resident ownership model. Manufactured home communities in Cañon City, Colorado are *prima facie* evidence of the illusory panacea that the resident owned model provides.[1] In Cañon City, Colorado, limited equity resident owned communities failed after quickly finding themselves burdened by collective mortgage debt, instability, and financial uncertainty—jeopardizing the very housing security the model is meant to protect. The experiences of limited equity resident owned communities in Rivermaze and Rocky Mountain illustrate the dangers of inadequate financial planning and governance, which can have devastating outcomes when residents must shoulder the collective risk of substantial loans, they have little control over.

To make matters worse, in many limited equity resident owned communities, residents do not receive individual titles or own their lots outright. Instead, they purchase a share in a cooperative that holds the land title—an arrangement that typically does not appreciate in value. In the Colorado cases, the resident did not receive an equity payout from the sale of the land that "purchased." This situation erodes the fundamental concept of ownership: residents take on long-term financial obligations without the financial gains of equity, resale value, or the autonomy that generally accompanies homeownership. Effectively, they pay into a system that provides no tangible return once they move on.

Even more concerning is the financing terms imposed on residents under limited equity resident ownership models. Some communities have seen residents locked into ten-year balloon payments, only to find that refinancing options are unavailable when the loans come due. In Massachusetts, residents were forced to go before the Mobile Home Rent Control Board after the entity that encouraged and financed the residents to pursue a limited equity resident ownership model refused to renew the mortgage after the balloon payment was due.[2] In these cases, the residents are left with an impossible choice: either surrender their homes or sell under financial duress. Rather than stabilizing

[1] *See* Fremont County receives foreclosures notices of four mobile home parks in Cañon City.

[2] See City of North Adams, Massachusetts Mobile Home Rent Control Board Public Hearing Minutes, October 5, 2023.

the community, this flawed financing model merely replaces one form of insecurity with another. The label "resident-owned" thus becomes misleading when the financial structure can strip away ownership without meaningful recourse.

VI. Strengths of Professionally Managed Land-Lease and Investor-Owned Communities

Rather than discouraging investment, Maine should seek to preserve traditional land-lease manufactured housing communities. Professionally managed, investor-owned land-lease communities have demonstrated a sustained ability to deliver affordable, stable, and high-quality living environments. These communities support the largest form of naturally occurring affordable housing in the United States. Residents benefit from predictable site rents, well-maintained infrastructure, and access to amenities such as pools, clubhouses, recreational facilities, and organized activities. According to research conducted by MHI, more than 80 percent of manufactured homeowners report satisfaction with their living situation, with high levels of recommendation and community participation. These communities offer not only economic value but also a reliable social structure supported by trained professionals with experience in housing operations, maintenance, and compliance.

From 2015 to 2019, capital expenditures by investor-owned communities increased dramatically, rising from $1.6 billion to $2.7 billion annually. These funds are used for improvements to streets, sewer and water systems, electrical infrastructure, landscaping, and common areas. Unlike limited equity resident ownership models that often struggle to raise necessary funds, professional operators maintain dedicated CapEx budgets, possess long-term investment outlooks, and implement strategic upgrades that enhance community value and resident experience. Additionally, professional managers receive ongoing training in fair housing law, business planning, asset management, and customer service through programs like the MHI's Accredited Community Manager certification. With this structure in place, residents receive benefits that extend beyond the financial—they enjoy a degree of predictability, security, and service consistency that ad hoc resident governance models cannot replicate.

VII. Conclusion

In conclusion, LD 1723 represents an unwise departure from balanced housing policy and an excessive intrusion into private property markets. While the intent of LD 1723 is to protect tenants, the unintended consequences could be detrimental to the very communities they aim to support. We urge the legislature to consider alternative measures (i.e., targeted rental assistance programs and incentives for affordable housing development) that promote investment and sustainability in the manufactured housing sector. Manufactured housing communities are not a policy experiment; they are a proven, high-demand solution to Maine's housing affordability crisis.

On behalf of operators, investors, and the residents they serve, MHI urges this Committee to reject LD 1723. Let us pursue housing policy that expands affordability through inclusion, investment, and innovation.

Thank you for your time and thoughtful consideration.