



HOUSE OF REPRESENTATIVES

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TESTIMONY IN OPPOSITION OF:

LD 1016 *"An Act to Establish the Manufactured Housing Community and Mobile Home Park Preservation and Assistance Fund"*

THE JOINT STANDING COMMITTEE ON HOUSING AND ECONOMIC DEVELOPMENT

Senator Curry, Representative Gere, and distinguished members of the Housing and Economic Development Committee. I am Representative Amy Arata, I live in New Gloucester, and I'm testifying in opposition to LD 1016 *An Act to Establish the Manufactured Housing Community and Mobile Home Park Preservation and Assistance Fund*

I am a member of the Maine Commercial Association of Realtors and I have invested in real estate since 2007. I spent much of my childhood in a mobile home park, and I have great appreciation for parks as an option for people of modest means to be able to purchase their own homes. However, the \$50,000 per lot fee in this bill violates the Takings Clause of the Fifth Amendment to the United States Constitution which reads as follows: "Nor shall private property be taken for public use, without just compensation."

There seems to be a misunderstanding about how parks are valued by investors. Most investors base the value on the income the park generates, prevailing interest rates, and comparison to other investment options. Indeed, lenders will not finance a park based merely on its speculative value. There are many ways to value real estate, but I'll provide a common "back-of-the-napkin" calculation that I use: Assume that lot rents in a 50-lot park are \$600, expenses (not including financing) are 35% of the operating income, and there's no deferred maintenance or repairs needed. The Net Operating Income is estimated to be $\$600 \times 12 \text{ months} \times 50 \text{ lots} \times .65 = \$234,000$. With commercial interest rates at 7.5% and a cushion of 2%, investors' desired return (capitalization rate) is 9.5%. Therefore, the value of the property is $\$234,000 / .095 = \$2,463,158$. If this bill were to pass, the total fee would be $\$50,000 \times 50 = \$2,500,000$. The fee would be higher than the value of the property!

If this bill were to pass, precious resources would be tied up in court battles before it would eventually be ruled unconstitutional. In the meantime, investors would flee from Maine. Punishing investors would actually reduce the amount of affordable housing and this bill would do the opposite of its intention. I urge you to vote against this bill. Thank you for your time and I'm happy to answer any questions.

Respectfully,

A handwritten signature in black ink that reads "Amy B. Arata". The signature is fluid and cursive, with the first name "Amy" being more prominent than the last name "Arata".

Amy B. Arata
State Representative