

## **LD 2057 Testimony**

Dear Senator Curry, Representative Gere, and the distinguished 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 3 MHC's in the mid-coast area totaling 74 units. We were participants in the recent GOPIF discussions around preservation of existing MHC's as affordable housing and understanding the barriers to developing more units. I am writing to express my strong support for LD 2057 as it relates to Maine Housing expanding lending into the MHC construction space.

### **Some general background:**

- It is currently uneconomical to develop additional MHC's in Maine - even at today's higher lot rents. This is clearly evidenced by the fact that very few of these projects are undertaken.
- There are numerous factors contributing to this: overly burdensome local zoning & engineering requirements (NIMBY), low density allowances, and a lack of lending that suitably fits with these "affordable housing projects".
- The current legislative environment around MHC's in Maine (proposed rent control measures, \$10k per unit fees upon sale, etc) are going to further widen the feasibility & incentive gaps for development of new units.

LD 2057 can help to bridge this gap by allowing Maine Housing to provide construction lending to MHC's similar to their other affordable housing programs.

### **A case study in community expansion:**

One of our communities has enough land for roughly 20 additional units (at today's density allowances). There is no cost for land in this example, we already own it.

The rough scope of work & cost for this Community Expansion:

- \$75k in Surveys / Studies / Engineering before we can even apply for town approval.
- Install 50,000 sq. ft of new road way. Install a 400 sq. ft driveway for each unit and additional overflow parking area. Paved roads are \$5-7 per sq ft.

- Extend main power service & install street lighting
- Drill additional Water Well(s) & make upgrades to our water treatment system. Install water mains & laterals to each site.
- Install septic tanks / leach fields and provide service lines to each site.
- Install a Fire Pond
- Significant Site Grading & Landscaping
- Pour Concrete Slabs for each unit
- Provide a shed for each unit (town requirement)
- Once approved, the project must be completed in 2 years per town code.

In total, the site work alone will cost between \$50-70k per pad, or \$1M - \$1.4M for 20 units (not including the homes). There is a substantial risk that the project runs over budget (hit ledge and need blasting etc). After the site work is complete, we need to purchase & install 20 homes to fill the sites which will cost an additional \$2M - \$4M (depending on the size and finishes of the homes). The cost of the homes is eventually recovered when they are sold, but we have to make interest payments until that time.

The large corporate park owners can probably do projects like this with funds they have available, but the numerous smaller operators like ourselves need to take out construction loans. It will take an undetermined amount of time to sell the new homes, and meanwhile we are attempting to service the debt on a total ~\$3-5 million dollar construction loan with zero revenue. The risk of defaulting on the loan before all homes are sold is simply too high and it becomes impossible to undertake the project.

#### **Improved lending can help:**

LD 2057 would help facilitate the construction of new MHC sites in Maine by allowing Maine Housing to provide construction financing for these projects. They can substantially reduce the risk associated with building a community by allowing deferment of payments until the community is operational and generating income. They can also provide long term mortgages with better terms which can make these projects viable at lower rents than would otherwise be possible.

Thanks for your time & I encourage you to support this bill.

Nick Beers