

Testimony on S. 34

April 2025

Good morning,

I am thankful legislators are looking at the affordability of manufactured-home park rents. My organization, Cooperative Development Institute, shares the goal of protecting that affordability; this mission drives our whole NEROC program that I help to lead.

Manufactured homes in parks are vastly more affordable than any other form of homeownership. But the homeowners lease their lots from the park owner, which creates a vulnerability.

Vermont was a pioneer in addressing this vulnerability. It passed a law in the 1980s to allow for the sale of parks to either resident-owned cooperatives or nonprofit housers, when privately owned parks go up for sale. As a result almost half of all lots in Vermont parks – 44% of them – are under resident or nonprofit ownership, which protects them from the excessive rent increases that this bill wants to prevent.

Unfortunately, the bill as written would create big unintended problems that work against homeowners' interests. For these reasons we cannot support this draft:

**1. The bill would effectively keep park owners from replacing failing infrastructure.**

In most VT parks, infrastructure systems – water lines, septics, and electrical – are at least 50 years old and overdue for replacement. Under this bill there is no practical way to pay for major capital projects unless the state financed them 100% with grants. In the long term this problem could even cause this form of affordable housing community to go away, if park owners have no realistic way to finance capital projects and the other option is to close the parks.

- From Elise Shanbacker: "Major infrastructure projects—like septic replacements or road reconstructions—often take years to plan, permit, and complete. And the actual costs, especially debt service, often aren't known until the end. If lot rents are artificially held down during that time, it can result in a sudden and substantial increase once the project is done—putting more strain on residents than if we had the flexibility to make gradual, predictable adjustments over time. Plus, the policy doesn't account for how to cover pre-development costs—like engineering studies, legal fees, and permitting—which are substantial and incurred well before construction begins. These expenses are often funded out of operating budgets, and documenting them for exemption purposes adds a significant administrative burden, especially when the costs are largely tied to staff time rather than easily itemized invoices."

## **2. The cap could prevent future conversions to resident or nonprofit ownership.**

When residents have the chance to buy a park, they incorporate a cooperative business that qualifies for a mortgage. Likewise a nonprofit willing to buy a park has to finance the purchase. Typically the park seller owned it outright, so debt service was not an expense that rents had to cover. So the purchase requires an increase in lot rents to cover this new expense. Under this bill the necessary increase could be jeopardized, especially given current interest rates.

- Examples of past increases – at lower interest rates than now – include:
  - North Avenue Co-op, 2016, rents rose \$70/month at purchase
  - Sunset Lake and St. George, 2019: rents rose \$55/month at purchase
  - Sterling View, 2021, rents rose \$61/month at purchase

## **3. Resident and nonprofit ownership already have robust controls built in.**

In Resident-Owned Communities (ROCs for short), every homeowner has a voting share in the cooperative business that the members co-own. Under ROC bylaws it takes a membership vote to approve any rent increase. The households are duly noticed of any such vote, following steps similar to those for municipal votes. So their members already have a way to learn of and weigh in proposed increases.

Relatedly, the whole mission of nonprofits that own parks is to maintain affordability, and by definition they cannot take profits from their revenues. Their boards of directors oversee operations to make sure they follow the mission, and the boards generally include residents of the organization's housing. These organizations also have standard procedures for hearing and addressing residents' complaints.

### Other mechanisms to consider:

To protect this critical affordability while avoiding the unintended impacts, lawmakers could consider a more targeted approach with exemptions for resident co-ops and nonprofits, and/or a tiered system that would apply where park lot rents exceed a certain threshold tied to a percent of the area median income, which better reflects local costs than the CPI.