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February 21, 2023

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Dear 2023 Housing Committee Members:

Thank you for allowing me to participate in this public hearing on the proposed HB 6589 – the rent stabilization act for mobile manufactured homes.

I am here as a representative of Sun Communities, which is a member of the Connecticut Manufactured Housing Association, and which has a nearly 50 year history of owning and operating MH communties across the country, including currently 15 beautiful age-restricted MH communities here in Connecticut with nearly 1,900 total sites that I oversee directly. While we understand the intention of the legislation is to help people on limited or fixed incomes, my goal in speaking to you today is to share our concerns regarding this new legislation, as it is currently proposed, and the potential unintended and harmful impacts it could have on both the long-term investment in high quality, attainable manufactured housing communities in Connecticut as well as MH community residents and homeowners with an equity interest in the homes they own.

While we, along with many other owners and operators of MH communities, have literally made it our life's work to provide attainable housing here in Connecticut and across the country, and have great empathy for the impact the level of inflation has on those living in MH communites with limited or fixed income, we cannot escape the fact that the costs to operate an MH community fluctuate. As you all know, inflation reached a 40-year high in 2022. As a result of this inflation, the expenses associated with operating an MH community have grown accordingly, just like the costs of everything else have increased. Rent stabilization, while capping income, does not put a cap on the expenses an MH community owner incurs for the benefit of its residents, which are necessarily funded from the site rent paid by its residents. Those expenses often include providing water and sewer infrastructure and services, curbside rubbish pickup, maintenance and upkeep of community roads and resident driveways, storm water management, amenities

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and common area maintenance (e.g. pools and clubhouses), amongst others, not to mention the labor and other costs associated with professional management of the community, which typically includes hard working and dedicated onsite local teams with community managers, maintenance staff, groundskeepers and office staff, some of which will often live within the MH communities they serve. When the income generated from site rent is capped and can no longer keep up with the owner's rising operating costs, owners are forced to reduce their expenses by reducing the services they provide, and if the costs rise to a level where they do not cover the services that are legally required to be provided by the owner, the comunity becomes no longer feasible to operate. In addition, rent stabilization further creates a disincentive for community owners to reinvest in their community and minimize (or terminate altogether) any discretionary spending, as that capital may be needed to cover the existing or future shortfalls described above. An owner's inability to reinvest in a community has the direct result of impairing the residents' home values, as the quality of the community suffers. This result is inevitable. To that end, any new legislation that does not account for the impacts described above will be detrimental to both owners and residents of MH communities in the State of Connecticut, and ultimately the State's ability to create new attainable housing opportunities for its residents.

Notwithstanding the above, many MH community owners, including Sun, approach their properties as a long-term partnership with its residents. Despite being impacted by the same level of rising costs described above, Sun has deliberately taken an understanding and tempered approach to rent increases, generally choosing to increase rent at levels below the actual inflation levels for the past two years and share the burden with its residents, even though it had no obligation to do so. On top of that, since Sun acquired its properties in Connecticut in 2019 from the previous owners, immediately prior to a devastating pandemic that brought this country along with the rest of the world to a halt, Sun Communities, viewing its residents as valued partners, has nonetheless chosen to invest millions of dollars for significant capital improvements to improve its already beautiful communities in Connecticut. This investment, which directly benefits our residents' home values and enjoyment of our properties, would have undoubtedly been limited or eliminated if there had been rent stabilization in place. Examples of the above mentioned reinvestment in our communities include: ~$3.5 million sewer installation and road replacement project at Rolling Hills in Storrs, CT; ~$1 million at Forest Hills in Southington, CT for clubhouse and amenity upgrades; ~$1 million in community roads, infrastructure, septic replacement and amenity upgrades at Beechwood in Killingworth, CT; and ~$1.1 million in clubhouse and amenity renovations at Hillcrest in Uncasville, CT. To be clear, we are in no way trying to be indifferent or to compare the hardships faced by many MH residents to those of Sun as a company. We are sharing this information simply to emphasize that there is a need to incentivize good owners and operators, ones who value their residents and their communities, to want to invest and expand their operations in Connecticut, regardless of whether they are local or from out of state, or whether they are "mom and pop" operations or large companies. The view that large out of state companies are inherently evil or greedy is a completely unfair and undeserved characterization. While there are bad actors within every group, it is worth noting that Sun Communities, as I believe the largest MH owner and operator in the State of Connecticut, has 15 communites that are some of the finest in the entire State, each of which Sun is proud to own, and hopes to own and provide attainable housing to Connecticut residents for decades to come. This approach has allowed Sun to grow for nearly 50 years and become the premier owner and operator of high quality MH communities across the country. It is the reason our residents, on average, live in our communities for approximately 14 years, the reason we have such a low eviction rate, and the reason we receive thousands more applications to live in our communities each year than we have vacancies.

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In summary, Sun recognizes and empathizes with the hardships many residents of MH communities face in times of economic uncertainty, and we do feel there are ways for the government to help; for example, local property tax reductions to account for the fact that local municipalities provide limited services to MH residents, because MH operators are required to provide such services, would be a completely justified and logical approach to easing the burden on MH residents. However, based on our nearly half-century of experience and what we have witnessed with similar legislation in other states, a rent cap, like the one proposed here, will not provide the benefits it is aimed to, and any short-term benefits provided to residents will ultimately be outweighed by the long-term impacts to their home values and community quality.

I thank you for your time and consideration in allowing me to testify before this public hearing. Attainable housing is an important resource and it is one that Connecticut, as well as every state, needs more, not less of. We hope you will appreciate our concerns and would be happy to answer any questions or follow-up you may have or assist as a resource in helping to find the best way to provide and improve attainable housing options for the wonderful residents of Connecticut.

Thank you for your time.

Sincerely,

Brandon George

Brandon George
Division Vice President of Sun Communities, Inc.

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