



PATRICK WHITE

www.patrickwhiteberkshires.com

February 25, 2024
West Stockbridge, MA

To the honorable Rent Board Members:

My name is Patrick White and I serve as a Stockbridge Select Board member. I also serve as the Chief Financial Officer of a local nonprofit and I have a background in finance.

As you know, I have also been named an intervenor in the Housatonic Water Works proposed rate increase, which bears many similarities to the Petition for Rent Increase as proposed by the owner of Mill Pond.

I reviewed the Petition for a Rent Increase filed on behalf of the owner of Mill Pond. I have a number of observations. Please bear in mind I make these observations as a private citizen and in no way on behalf of the Town of Stockbridge.

Methodology of Valuation

The applicant seems to be claiming that the value of this parcel has somehow jumped from its sale price of \$900,000 to either \$1.78 million or \$2.3 million, depending upon how you consider the parcel. I remind the Board that fair market assessments in Massachusetts are based on sales prices, and the actual sale price is the determining factor in valuation, especially one that occurred so recently as is the case here, where the property sold in 2022.

Perhaps the applicant might begin by petitioning the Board of Assessors to value his property at the \$2.3 million number. This would result in much needed revenue for the Town, which is required to assess land at fair market value.

Of course, he won't because the property is worth what the market will pay, not some pie-in-the-sky "profit maximization" value as outlined in the filing. The applicant seems to be making an argument that he has a right to a revenue stream that should be determined by some highest best use strategy he could use in the future. This line of thought is, in my opinion, flawed in multiple ways.

First, let's recognize that the value set by the market was based on the in-place land use, one that is protected by a number of state laws regarding mobile parks. These include the right to relocation fees,



PATRICK WHITE

www.patrickwhiteberkshires.com

the need to provide multiple years' notice before closing a park, and the public interest involved in the decision you face.

To suggest that valuation should be based on financial highest best use is ridiculous. The applicant knew he was purchasing a mobile home park when he completed the purchase. The cash flow from Mill Pond was a significant factor in this purchase price. Most of the rent increase is based upon the premise that a single appraiser told him it was worth more. That standard cannot and does not apply to low-income housing. I strongly recommend you use the purchase price of the property, and reasonable costs to maintain the property, as the basis for any rent control decision. Such an analysis will find that the current rent provides a reasonable rate of return for the applicant, which I would peg at 8% above and beyond the carrying and maintenance costs of the property.

The applicant seeks a return on investment of \$171,917 annually on a purchase price of \$900,000. Even considering an all-in price of approximately \$1.1 million, this represents a massive return of over 15% per year. I strongly suggest a profit hair cut, with a maximum return of 8% on the purchase price, and 4% on any improvements that are mandated by the Town or the State, such as the water infrastructure investment. This would likely cut in half the target profit, and significantly reduce the burden of any rent increase.

Public Interest

It is not in the public interest to embrace a highest, best use valuation approach. West Stockbridge has recently embarked on the creation of a housing trust fund. The support for this endeavor is represented by votes at Town Meeting.

Regardless of the imputed profit, I would not recommend using this consideration as the primary consideration in determining rent. Some of the poorest folks in the region live on this property, many of whom are on fixed incomes such as Social Security. I would suggest you strongly consider using the tenants' ability to pay as the primary consideration when determining rent increases. An annual increase tied to Consumer Price Index, currently around 5%, seems fair, as it is the measure of inflation that is used to calculate income for many of the impacted residents.

Such a draconian rent increase as is proposed would vastly impact affordability in the Town of West Stockbridge. It would literally take you decades to replace these units with affordable housing at a cost of millions to local and state taxpayers. A decision to dramatically raise the rent will result in a need for



PATRICK WHITE

www.patrickwhiteberkshires.com

at least some of your residents to relocate outside the town, and could easily contribute to the burgeoning homeless crisis that exists in Berkshire County.

The property owner knew he was investing in a mobile home park. Its current use was a strong determinant in the price he paid. His strategy is right out of the playbook that has been used by investors nationwide to squeeze tenants and force them to relocate. That playbook often includes the purchase of their mobile homes as they exit as severely depreciated values, with a quick resale to someone else, likely poor but not quite as poor as the current residents. It's all part of the "profit maximization" strategy the playbook calls for.

Dozens of lives could be severely impacted if you use the applicant's methodology to determine rent. I strongly recommend against such an approach. It does a disservice to both the residents of Mill Pond and the larger community in West Stockbridge.

I have one final observation. In Massachusetts, a tenants' organization, as long as it has a minimum of 51% membership, has the right of first refusal on any sale of a mobile home park. I would suggest you ensure such a tenants' organization exists on this property. If the owner feels that a reasonable rate increase does not provide enough return on investment, let him sell it to the tenants' organization and let the Town's Affordable Housing Trust finance the acquisition. This would preserve the long-term viability of the parcel as one of the region's most affordable housing developments. It would also eliminate any consideration of profit maximization from the discussion of rent for its residents.

Housing is a human right. Please help to preserve affordable housing in the Town of West Stockbridge.

Respectfully submitted,

Patrick White