Commonwealth Of Kentucky
Preservation and Reinvestment Initiative for Community Enhancement (PRICE)
Revised Action Plan – Substantial Amendment 1
GRANT: B-23-PR-21-0001

Substantial Amendment Summary

The Department for Local Government (DLG) received a grant of $28,276,690.63 from HUD for the Preservation and Reinvestment Initiative for Community Enhancement (PRICE). In finalizing the program design for Kentucky's PRICE program, and in order to make the program work better, several aspects of the original program design in the grant application need to be modified. This summary is to highlight the changes needed and to explain that despite these necessary changes, the nature of the program has not changed.

By way of overview, Kentucky's proposed *Kentucky Manufactured Housing Empowerment and Improvement Program* (KMHEIP) is divided into two separate programs that aim to achieve two primary goals across the state: 1) *Kentucky ROCs Program* (KY ROCs)- preserve and improve existing manufactured housing communities by acquiring and converting them to resident-owned cooperatives to preserve affordability and prevent takeover by institutional investors, and 2) *Kentucky Targeted Owner-Occupied Emergency MHU Replacement Program* (KYEMHURP)- replace unsafe manufactured housing units (MHUs) constructed prior to the 1976 implementation of the Manufactured Home Construction and Safety Standards Program (HUD Code) that pose a threat to the health and safety of low-income Kentuckians.

There are two (2) main changes that are necessary to make to the KMHEIP design to improve the implementation of the program. One change is to the budget. While we still plan for the majority of the grant funds (84%) to go towards KMHEIP, we had originally envisioned having one pot of money for both programs to access, with the breakdown being determined by the applications we received from competitive Notices of Funding Availability (NOFA) for each program. Upon further discussion and reflection, we realized that this wouldn't necessarily work well for achieving the goals of the KY ROCs, as most of the funds would likely be requested by applicants to KYEMHURP. We were concerned that if we did not designate a specific amount of funds for the ROC conversions, they might not happen, and we believe that such conversions are necessary to preserve affordable housing in Kentucky. Therefore, instead of having one fund of money for both programs, we propose to divide the PRICE funds equally between KY ROCs and KYEMHURP, with each program receiving an allocation of $12 million. The remaining 8% of the PRICE funds will be used for program/project delivery costs, subrecipient project production fees, technical assistance and administration costs.

The second change that we are making to the program design is specific to KY ROCs. We have realized that when we wrote the grant proposal, we didn't understand the dynamics of ROC conversions to the level of detail that we do now. When writing the grant, we originally envisioned issuing a competitive NOFA to solicit proposals for ROC conversions, but we now realize that that is not feasible for several reasons. We now understand that one unintended consequence of issuing a NOFA for conversion proposals would be that it could cause an artificial spike in the sale prices of manufactured housing communities, when word got out that there was funding for purchases. Inflated sales prices would negate the goal of continued affordability for the residents of newly formed ROCs. Additionally, after working more closely with one of the grant partners, ROC USA, we realized that only specifically situated manufactured housing communities are appropriate for possible ROC conversions. The best way to identify communities where a conversion would be feasible would be to assess them in partnership with ROC USA, the nation's experts in the field of ROC conversions, and use ROC USA's Resident Ownership Assessment (a detailed set of criteria) to evaluate project feasibility and identify the addressable market. Therefore, we propose to change the program design for the ROC conversions to move from using a NOFA to using a pre-determined and detailed set of objective criteria to assess manufactured housing communities' readiness for ROC conversion in consultation with ROCUSA.   Basic eligibility criteria include:

- ≥ 25 owner-occupied manufactured housing units on leased lots
- ≥75% of lot lease holders own their MHUs
- ≤25% of lots are occupied by recreational vehicles (RVs)
- ≥75 % of households earn less than 80% AMI; and, either:
- ≥20 % of households earn less than 50% AMI; or
- ≥40 % of households earn no more than 60% AMI.
- Lot rents are currently appropriate for the local market.
- MHC has reasonable existing operating costs as assessed by ROC USA.
- Majority of MHC residents have documented interest in creating a ROC.
- MHC owner has documented willingness to sell to a ROC at appraised value or below.
- Not located in a special flood hazard area.

ROC USA will use their deep knowledge about successful ROC conversions to recommend at least 2 eligible manufactured housing communities for KY ROCs funding that are most likely to succeed.

For these reasons, we believe that the revisions to Kentucky's PRICE program will make the program work better, for the funding recipients and the program beneficiaries. While the revisions modify several aspects of the original program design, the nature of the program itself has not changed.

The Action Plan Substantial Amendment 1 in its entirety follows on page 3.

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Action Plan Summary

1. Need

A. High Poverty = High Need for Affordable Housing

Nationwide, the need for affordable housing options is significant. In Kentucky, that need is compounded by our high levels of poverty (16.61% v. national average of 11.5%) which results in a large portion of the state's population having low- to moderate-income (LMI). Manufactured housing plays a vital role in providing "naturally affordable" housing in the Commonwealth.

B. High Numbers of Manufactured Homes

As of September 2023, Kentucky ranked third in the country in the percentage of manufactured homes (29.3%) that make up all new single-family homes. Kentucky is tenth in the country in the states with the most newly manufactured homes (3,627). The 2022 American Community Survey also finds that Kentucky ranks ninth in the nation in the percentage of housing units that are mobile homes (10.9%), nearly double the national rate (5.6%) [ACS Table R2501]. According to the Virginia Tech Virginia Center for Housing Research (VCHR) 2016 report *Mobile and Manufactured Homes in Central Appalachia and Alabama: Age, Condition and Need for Replacement*, 31,120 manufactured housing units in 53 Appalachian Kentucky counties were built before 1976, consisting of 19.8% of all manufactured units in the study area. While this analysis did not include all of Kentucky and we can assume loss and/or replacement of many older units since the study was performed, we can safely assume pre-HUD Code units are still prevalent throughout the state. As stated by VCHR, "mobile homes built prior to 1976 are considered the "worst housing stock" in America by affordable housing advocates and industry representatives" suffer from poor conditions, including leaking roofs, dangerous or inefficient heating sources, lack of insulation and deteriorating foundations, and very high home energy costs, "consum[ing] "approximately 53% more energy than every other kind of home."

C. High Number of Natural Disasters/Disaster Areas

Kentucky has eleven (11) census tracts identified by FEMA as a Community Disaster Resilience Zone, which designates areas that are underserved and most at risk of disaster because of the effects of climate change. Numerous Kentucky communities have been adversely impacted, in the past few years and the past few months, by severe natural disasters in recent years; presidentially declared disasters occurring in February/March 2021 (DR-4595: severe storms, flooding, landslides, and mudslides) in southeastern, south central, and western Kentucky, December 2021 (DR-4630: severe storms, straight-line winds, flooding, and tornadoes) impacting western Kentucky, and in July 2022 (DR:4663: severe storms, flooding, landslides, and mudslides) impacting eastern Kentucky. Most recently, two presidentially declared disasters have impacted Kentucky; February/March 2025 (DR-4860-KY: severe storms, straight-line winds, flooding, landslides, and mudslides), and April 2, 2025 - and continuing (DR-4864-KY: severe storms, straight-lined winds, tornadoes, and flooding). These natural disasters resulted in the damage and destruction of numerous housing units in multiple counties.

2. **Use of Funds**

The proposed *Kentucky Manufactured Housing Empowerment and Improvement Program* (KMHEIP) is divided into two separate programs that aim to achieve two primary goals across the state: 1) *Kentucky ROCs Program* (KY ROCs Program)- preserve and improve existing manufactured housing communities by acquiring and converting them to resident-owned cooperatives, and 2) *Kentucky Targeted Owner-Occupied Emergency MHU Replacement Program* (KYEMHURP)- replace unsafe manufactured housing units (MHUs) constructed prior to the 1976 implementation of the Manufactured Home Construction and Safety Standards Program (HUD Code) that pose a threat to the health and safety of low-income Kentuckians.

Eighty-four percent of the PRICE funds will be divided equally between the Kentucky ROCs and the KYEMHURP, with each program receiving an allocation of $12 million. The remaining 8% of the PRICE funds will be used for program/project delivery costs, subrecipient project production fees, technical assistance and administration costs.

3. **Entities Administering the Program**

As the state's CDBG grantee, the Kentucky Department for Local Government (DLG) is the lead applicant for PRICE funds and will administer the grant in partnership with Kentucky Housing Corporation (KHC), the state's housing finance agency, as its subrecipient. DLG and KHC receive and/or have been awarded well over $2 billion in State, Federal, and private resources to produce affordable housing over the past 50 years. DLG and KHC have decades of experience proposing, managing, implementing, and coordinating housing and community development projects such as this PRICE Proposal. Both DLG and KHC have extensive experience managing partner and subrecipient organizations for federal and state programs so already have policies and processes in place to ensure that they are meeting expectations required for successful project implementation, including compliance with Federal cross-cutting regulations. Now that PRICE funds have been awarded, a program implementation plan will be put into effect. DLG and KHC will finalize program design, including policies and procedures and program documentation requirements. KHC will conduct applicant outreach and education to inform potential subrecipients of the Program parameters and expectations. KHC will issue the NOFA for the KYEMHURP, receive and score the applications, and make funding recommendations to DLG. KHC will then announce the awards and issue conditional commitment letters to awardees. KHC will partner with ROC USA to identify manufactured housing communities best suited for the Kentucky ROCs Program. DLG, KHC and ROC USA staff will provide technical assistance to subrecipients throughout the Program. KHC will inspect home repairs and installation of replacement units. Mortgages issued will be transferred to KHC for administration. KHC will provide program data to DLG for reporting to HUD. All subrecipients will be monitored by KHC, which will then be monitored by DLG to ensure Program expectations are met. See subsequent Section Overview of Use of Funds, Key Timelines and Tasks Table for a more detailed explanation of the agencies' roles.

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4. **Citations**
The Preservation and Reinvestment Initiative for Community Enhancement (PRICE) NOFO was issued by HUD to preserve long-term housing affordability for residents of manufactured housing or an MHC, to redevelop MHCs, and to primarily benefit low- and moderate-income (LMI) residents. The NOFO was authorized by the Consolidated Appropriations Act, 2023 (Public Law 117-328, approved December 29, 2022). All FY23/24 PRICE requirements can be found in the PRICE Notice of Funding Opportunity (NOFO) (FR-6700-N-99, issued February 28, 2024).

Resources and Budget

1. **Budget Summary**
The Commonwealth of Kentucky will use the $28,276,690.63 it received in PRICE grant funding to implement the ***Kentucky Manufactured Housing Empowerment and Improvement Program*** (KMHEIP). The ***KMHEIP*** is divided into two separate programs that aim to achieve two primary goals across the state:

   a) ***Kentucky ROCs Program***- preserve and improve existing manufactured housing communities by acquiring and converting them to resident-owned cooperatives to preserve affordability and prevent takeovers by institutional investors, and
   b) ***Kentucky Targeted Owner-Occupied MHU Replacement Program (KYEMHURP)*** - replace unsafe manufactured housing units (MHUs) constructed prior to the 1976 implementation of the Manufactured Home Construction and Safety Standards Program (HUD Code) that pose a threat to the health and safety of low-income Kentuckians.

PROPOSED BUDGET

Cost Area	Cost Per Unit	Projected #		PRICE Funds		Subtotals	
				Amount	% of Total	Amount	% of Total
Funding for KY ROC Conversions^ (Acquisition, Infrastructure & Unit Repair/Replacement)							
Grants for ROC Conversions	$6,000,000	2	communities	$12,000,000	*42%*		
					Subtotal:	**$12,000,000**	*42%*
Funding for KYEMHURP*							
Grants to Subrecipients	$180,000	66	homes	$12,000,000	*42%*		
					Subtotal:	**$12,000,000**	*42%*
Project Delivery Costs							
KHC Program/Project Delivery Costs				$750,000	*3%*		
Subrecipient Project Production Fee				$1,600,000	*6%*		

		Subtotal:	**$2,350,000**	*8%*
Planning, Administrative, and Technical Assistance Costs				
DLG Administration	$500,000	*2%*		
KHC Administration	$926,690	*3%*		
ROC USA Technical Assistance	$300,000	*1%*		
Subrecipient Administration	$200,000	*1%*		
		Subtotal:	**$1,926,690**	*7%*
PRICE Grant TOTAL			***$28,276,690***	*100%*

NOTES:

PRICE Grant Total:	$28,276,690	
PRICE Admin Cap:	10%	
PRICE Grant Ends:	6/30/2031	
Subrecipients		
Production Fee Per Unit:	$20,000	13.3%
Admin Per Unit:	$2,500	1.7%

Program Income: Any program income generated by payments on PRICE partially forgivable loans for MHU repair or replacement under both the KY ROCs Program and KYEMHURP will be allocated to the Kentucky Targeted Owner-Occupied Emergency MHU Replacement Program revolving loan fund. KHC will allocate funds to program subreceipient(s) once program income balances are sufficient to acquire additonal replacement unit(s).

2. **How Budget Was Determined**
   KHC consulted with known manufactured housing industry experts including the Kentucky Manufactured Housing Institute, Next Step Network, and ROC USA to estimate costs for unit replacement and repair and manufactured housing community infrastructure costs. Eighty-four percent of the PRICE funds will be divided equally between the KY ROCs Program and the KYEMHURP, with each program receiving an allocation of $12 million. The remaining 8% of the PRICE funds will be used for program/project delivery costs, subrecipient project production fees, technical assistance and administration costs. A minimum of 2 ROC conversion projects will be funded to ensure the KMHIP can access leveraged ROC USA funding to assist with conversion of manufactured housing communities.

3. **How 100% of PRICE Funds Will Be Spent By the End of the Period of Performance**
   DLG and KHC will ensure that 100 percent of the PRICE funds are spent before the end of the six (6) year period of performance by careful monitoring of the subrecipients and their progress. Kentucky has such a need for repair or replacement of owner-occupied MHUs that if, for some unexpected, valid reason the MHC conversions to ROCs is not progressing as planned, the remaining funding can be quickly reallocated to be used for repairs to or replacements of eligible MHUs.

Need

1. **Type of PRICE funding**: HUD awarded PRICE Main funding to Kentucky for its Kentucky Manufactured Housing Empowerment and Improvement Program (KMHIP).

2. **Geographic Scope of Proposed Project and Need for Affordable Housing Within That Area:** The geographic area this PRICE Proposal will cover is the Commonwealth of Kentucky, with special emphasis on HUD and state designated Most Impacted and Distressed (MID) counties in the eastern and western parts of the state that were significantly impacted by flooding and tornadoes, respectively. We will also use the Natural Hazard Map, the Climate and Economic Justice Screening Tool, the Distressed Community Index, and Qualified Census Tracts to help guide funding prioritization.

   Kentucky Need for Affordable, Accessible Housing
   The needs in Kentucky for affordable, accessible housing echo and expand the national statistics. KHC retained a national research agency in January of 2024 for the purpose of conducting a Housing Supply Gap Analysis for rental and for-sale housing for each of the 120 counties within the state of Kentucky. The study considered numerous metrics to measure the current (2024) housing gaps that exist in Kentucky. This included acknowledgment of housing products currently available to rent and buy, the number of households at various income levels, households living in substandard housing, households living in severe housing cost burdened situations, and workers commuting into each county. Additionally, the American Red Cross (ARC) conducted an inventory of housing within numerous Kentucky counties impacted by natural disasters in recent years, including the December 2021 tornadoes and flooding that impacted western Kentucky and the storms and flooding that impacted eastern Kentucky in July 2022.

   The analysis found that the state of Kentucky has an overall housing gap of 206,207 units, with the gap split relatively evenly between rental units (101,569 units, 49.3% of the overall statewide housing gap) and for-sale units (104,638 units, 50.7% of the overall statewide housing gap). The largest overall housing gap by AMI level is among products that are affordable to households earning up to 30% of AMI. This household income segment has an overall housing gap of 79,819 units, representing 38.7% of the state's overall housing gap. The next highest overall housing gaps are nearly equal, with 33,340 (16.2%) units needed at the 31% to 50% AMI level and 31,810 (15.4%) units needed at the 51% to 80% AMI level.

   Manufactured Housing: A Solution to Help Address Kentucky's Need
   Manufactured housing presents a possible tool to address the affordability crisis facing Kentucky. U.S. manufactured homes are sometimes referred to as "mobile homes" or "trailers" but in fact are a specific type of factory-built housing, constructed in accordance with the U.S. Department of Housing and Urban Development's (HUD's) Manufactured Home Construction and Safety Standards Code since 1976. Manufactured housing is a critical source of affordable housing, especially for low-income and rural households. They are home to seniors on fixed incomes, low-income families, people with disabilities, veterans, and others in need of low-cost housing. Fifteen percent of manufactured-home residents are unable to work or disabled. Many communities serve seniors, some with community age-restrictions. Nearly three quarters of households living in manufactured homes earn less than $50,000 a year and the median household income of manufactured home residents was $30,000 in 2009. The

median net worth among households that live in manufactured housing is about one-quarter of the median net worth among other households.

Generally, in manufactured home communities, homeowners own their homes but rent the land from a community owner. Because of divided asset ownership the housing security of mobile home park residents depends on the decisions of private landlords to continue and maintain mobile home parks. For most residents, it is nearly impossible to move their homes – the structures cannot withstand the move, the costs of moving them are unaffordable, and finding a new spot is untenable. Real estate investment groups seized on this vulnerability and built a highly profitable business model with devastating effects on low-income seniors and families. When community owners raise the lot rents, residents are trapped, choosing between paying rent, and abandoning their home. Even if homeowners could move their homes, there are limited other sites to relocate. Local zoning and regulatory constraints are worsening the problem.

Manufactured housing varies in popularity across the U.S., but the South stands out for its higher concentration of manufactured homes. As a share of all new single-family homes, top locations include lower-income states like Mississippi, Alabama, Kentucky and West Virginia, whose residents may be more drawn to manufactured homes as an affordable option. As of September 2023, Kentucky ranks third in the country in the percentage of manufactured homes (29.3%) that make up all new single-family homes. Kentucky is tenth in the country in the states with the most newly manufactured homes (3.627). The 2022 American Community Survey also found that Kentucky ranks 9th in the nation in the percentage of housing units that are mobile homes (10.9%), nearly double the national rate (5.6%) [ACS Table R2501]. In Kentucky, mobile home parks must register with the Kentucky Department of Public Health, so updated information on mobile home parks and mobile home units is readily available. As of May 1, 2024, there are 1,594 mobile home parks of record in Kentucky, with a total of 5,210 mobile home units. While we currently do not have hard statistics on the number of MHCs that risk conversion to unaffordable market-rate housing or non-residential uses or existing health and safety issues caused by existing manufactured housing that is substandard and/or dated, anecdotally, Kentucky Housing Corporation and partner agencies receive calls every year regarding these issues. The limited statewide data on substandard housing makes it difficult to know exactly how many units need repair or replacement but we know that the need is great.

A recent study by the Joint Center for Housing Studies of Harvard University found that households living in manufactured homes are more likely than other households to have lower incomes. Thirty-seven percent of all households living in manufactured homes have incomes below $30,000, compared with 21 percent of all other households. Meanwhile, only 21 percent of all households living in manufactured homes have incomes of $75,000 or more, compared with 47 percent of all other households. As of 2021, households in manufactured homes had a median income of $40,000, compared with $70,000 for all other households.

In line with the characteristics of households living in manufactured housing, counties with high shares of manufactured housing have lower median household incomes, lower shares with a bachelor's degree, and higher median ages. As this profile of the existing stock of manufactured housing illustrates, these homes are a critically important source of smaller, more affordable homes for lower-income households.

A. Distress Criteria

According to the Distressed Communities Index (DCI) Kentucky has 34.5% percent of its population (about 1.5 million residents) living in a distressed zip code, which is more than twice as high as the national percentage of 15.6% and puts it near the top of states having the highest share of its population living in distressed zip codes. Three of the top 10 most distressed counties in the U.S. are in Kentucky. An additional 17.1% of the Kentucky population (about 748,000 residents) live in an at-risk zip code.

The Commonwealth will certainly look to use PRICE grant funding in Distressed Communities and will take steps to increase the likelihood of application responses to the NOFO from those areas.

3. Barriers to Manufactured Housing Preservation/Revitalization

It is difficult to find statistics or research specific to Kentucky, but anecdotal information and professional experience indicate that while Kentucky faces all the recognized barriers to manufactured housing preservation or revitalization, the most significant barriers appear to be perceived poor quality, low financing availability to purchase units, and/or lots, and low resident organizing or self-governance capacity. In Kentucky, manufactured housing units are considered personal or chattel property and not real property unless both the land and the home are owned, and the unit is permanently affixed to the property. This limits unit owners' access to capital and ensures what could possibly be appreciating real property is instead a depreciating asset.

The challenges of this "halfway homeownership" are well summarized in Enterprise Community Partners' 2021 policy brief: *Preserving the Affordability of Manufactured Homes in Land-Lease Communities (*https://www.enterprisecommunity.org/media/1325*):*

> *The unique nature of living in MHCs often creates imbalances between the rights and interests of the communities' owners and its tenants. That is because tenants living in such communities generally face challenges that are specific to living in MHCs, and these challenges often put these tenants in an ineffective position at the bargaining table since they may have no reasonable alternative but to agree to the owner's land rent and community fee increases. Therefore, the challenges that stem from the unique nature of living in MHCs generally make these tenants vulnerable to financial burdens and potential housing insecurity.*

In April 2002, the Kentucky General Assembly passed legislation, codified at KRS 100.348 addressing land use regulation of manufactured homes within cities and counties across Kentucky. The intent of the legislation was to ensure that manufactured homes were included within jurisdictions as an acceptable form of economically priced housing. While this legislation provided some assistance and benefit to manufactured homes, many barriers still exist that keep manufactured housing from full integration into the affordable housing arena.

Use of Funds – Soundness of Approach

1. **Vision and Goals of the Project**
   The Commonwealth of Kentucky Department for Local Government (DLG), in partnership with Kentucky Housing Corporation (KHC), proposes to use PRICE Main funding to launch the ***Kentucky Manufactured Housing Empowerment and Improvement Program*** to achieve two primary goals across the state:1) ***KY ROCs Program*** - preserve and improve existing manufactured housing communities by acquiring and converting them to resident-owned cooperatives, and 2) ***Kentucky Targeted Owner-Occupied Emergency MHU Replacement Program (KYEMHURP)*** - replace unsafe manufactured housing units (MHUs) constructed prior to the 1976 implementation of the Manufactured Home Construction and Safety Standards Program (HUD Code) that pose a threat to the health and safety of low income Kentuckians. KHC will partner with ROC USA to identify a minimum of two manufactured housing communities best suited for the Kentucky ROCs program. **KYEMHURP** subrecipients will be selected for both activities via a competitive Notice of Funding Availability (NOFA) for which Units of General Local Government and community-based non-profit agencies will be eligible to apply. The Commonwealth will also leverage the expertise of local partners to identify projects prioritized for both activities. PRICE funding may be deployed in any of Kentucky's 120 counties, that are included in a successful applicant's service area.

2. **Overview of Use of Funds**
   A. **Eligible Activities + Activity Budget**
      i. **The *Kentucky ROCs* Program will**:
         a. Support ROC conversions with accompanying infrastructure improvements,
         b. provide residents of those ROCs with home repairs, including accessibility improvements, and
         c. replace pre-1976 MHUs (or younger units where rehabilitation is not economically justifiable) occupied by ROC residents with new replacement units.

      These investments will help preserve naturally occurring affordable housing; empower residents of ROC communities; provide residents in MHUs with substandard housing conditions with needed repairs or unit replacement; and improve the quality of shared infrastructure and community amenities in assisted MHCs.

Cost Area	Cost Per Unit	Units	Projected #	PRICE Funds
Funding for ROC Conversions Including Acquisition, Infrastructure Improvements and Unit Repair and Replacement*				
Grants to Subrecipients for ROC Conversions	$6,000,000*	per community	2 communities	***$12,000,000***
Subtotal				
Leveraged Funding				
Leverage from ROC USA loans				***$4,000,000***
Kentucky ROC Program Total				***$16,000,000***

*Actual costs per community will vary following selection of specific communities for conversion and will depend on a number of factors, including but not limited to community size, acquisition costs, infrastructure improvements, unit replacement/repair needs. A minimum of two ROC Conversions will be funded.

ii. **The *Kentucky Targeted Owner-Occupied Emergency MHU Replacement Program (KYEMHURP)* will**:

replace the housing of low-income Kentucky households facing economic, health, and safety risks from pre-1976 manufactured housing units/mobile homes that they own.

Subrecipients will replace pre-1976 manufactured housing units occupied by very low-income Kentuckians who face health and safety risks in their homes and carry a severe housing cost burden with a new, Energy Star-rated replacement unit.

Cost Area	Cost Per Unit	Units	Projected #	PRICE Funds
Funding for KYEMHURP*				
Grants to Subrecipients	$180,000	Per unit	66 units	$12,000,000
KYEMHUR Replacement Program Total				***$12,000,000***

*These amounts will be finalized following award of subrecipient funds after the competitive NOFA.

B. Key Tasks and Timelines

TIMELINE	TASKS
i. KYEMHURP	
January – August 2026	DLG & KHC finalize program design; determine additional sources of private sector funding; KHC issues and receives quotations from manufacturers for unit plans and pricing; alert potential subrecipients about forthcoming NOFA.
September – January 15, 2027	KHC issues NOFA for KYEMHURP with applications due by January 15, 2027; KHC conducts applicant outreach/education; applicants submit KYEMHURP applications.
January – May 2027	KHC scores applications and recommends subrecipients to DLG for approval; KHC announces awards and issues conditional commitment letters to awardees.
2027 – April 1, 2031	Environmental reviews completed for individual units submitted by awardees and funds released for specific local projects; subrecipients provide replacement units to eligible households until grant award exhausted; assisted households receive temporary relocation assistance, if needed; KHC inspects replacement units upon installation and prior to occupancy by assisted households; subrecipient executes mortgages with assisted households and transfers mortgage to KHC for administration; subrecipient records deed restriction, note, and mortgage for assisted households; grant funding administered on a reimbursement basis; KHC provides program data to DLG for reporting to HUD; KHC monitors subrecipients; DLG monitors KHC.

ii.KY ROCs Program	With oversight from KHC, ROC USA will engage in the following steps for the ROC conversions:
2026-2028	1) Pre-Purchase Process - market analysis; outreach to community owners and pipeline development; feasibility and early assessment; negotiations, purchase and sales agreement; legal, documents and corporate formation preparation; resident engagement and purchase process; capital raising and structuring for resident purchase; due diligence, relationship sourcing and closing/property agreements.
2029-2031	2) Post-Purchase Process – post-closing technical assistance support (first year intensive); on-going technical assistance (year 2 – 10; Note: as a part of the financing, on-going technical assistance is required and is part of the community financing. This would not be funded by PRICE funds but through the loan agreement). 3) Optional Phase (if necessary) – distressed asset intervention.
iii. Both Programs	Grant funding administered on a reimbursement basis; KHC provides program data to DLG for reporting to HUD; KHC monitors subrecipients and ROC USA; DLG monitors KHC.
June 2031 or earlier if PRICE funds depleted	Grant Closeout (no later than 6 years after HUD signs Grant Agreement)

C. Expected Performance Outcomes and Impacts of Proposed Activities

Because in Kentucky, "mom and pop" owners control nearly all the MHCs (99.1%), the time is opportune to acquire and convert Kentucky MHCs to ROCs that will preserve lot affordability and ensure resident control rather than allowing them to be acquired by out of state investors who may quickly raise lot rents to unaffordable levels and/or fail to maintain or enhance MHC infrastructure and amenities. Creating ROCs will eliminate the challenges posed by split lot and MHU tenure. By investing in infrastructure improvements and unit repair/replacement along with ROC creation, the Kentucky ROCs program will ensure that residents in assisted MHCs have housing cost stability and secure tenure in safe, decent housing in desirable communities.

Kentucky estimates that PRICE funds allocated to the Kentucky ROCs program will:

i. support ROC conversions with accompanying infrastructure improvements,
ii. provide residents of those ROCs with home repairs, and
iii. replace pre-1976 MHUs (or younger units where rehabilitation is not economically justifiable) occupied by ROC residents.

These investments will help preserve naturally occurring affordable housing; empower residents of ROC communities; provide residents in MHUs with substandard housing conditions with needed repairs or unit replacement; and improve the quality of shared infrastructure and community amenities in assisted MHCs.

KHC will partner with ROC USA to identify manufactured housing communities for ROC conversion. Kentucky will ensure that a minimum of 2 ROC conversion projects are funded.

Kentucky estimates that PRICE funds allocated to the Kentucky Targeted Owner-Occupied Emergency MHU Replacement Program will: provide replacement energy-efficient MHUs to very low-income households residing in units built before 1976 who face severe housing cost burden and housing conditions that pose a threat to occupant safety. Assisted households will be able to reside in safe, decent, energy-efficient permanently affordable homes. Projected outcomes of this program will be determined once subrecipients are awarded funds via the forthcoming Notice of Funding Availability (NOFA).

3. Tenant Protections for Residents of Communities

A. Kentucky ROCs <u>Unit</u> Renter Protections:

For the Kentucky ROCs program, additional protections will be provided to renters of MHUs in a ROC. Per ROC USA's zero displacement standards when establishing a new ROC:

- During the conversion of a ROC - residents renting MHUs will be permitted to stay, and the landlord will be invited to become a member of the ROC.
- During the Conversion Process - if the MHC owner selling the land to the ROC also owns and leases units in the MHC, the ROC will attempt to acquire the units as part of the MHC acquisition and will continue to lease to existing renters if they choose not to acquire the unit from the ROC after purchase.
- Post conversion - renters of units in the ROC, now owned by the ROC, will be contacted to assess if they wish to purchase their unit. If so, ROC USA, in conjunction with the ROC's Board of Directors, will assist the tenant with purchase negotiations and financing of the unit.
- Post Conversion - the initial ROC lot lease with a MHU rental's landlord requires a right of first purchase option for the tenant or a buyer who will be a member of the ROC if the landlord chooses to sell the unit.

B. Kentucky ROCs <u>Homesite</u> Renter Protections:

For the Kentucky ROCs program, ROC members who own their units will have resident protections based on ROC USA's model which typically exceed the standards established by Freddie Mac for manufactured housing in 2021. Each ROC Board of Directors will adopt their own policies, likely using ROC USA's guidance. However, to ensure basic protections are maintained by all Kentucky ROCs MHC's, the Commonwealth will mandate that protections established by ROC MHC boards meet or exceed the following Freddie Mac standards:

- One-year renewable lease terms, unless there is good cause for non-renewal
- 30-day written notice of rent increases
- Five-day grace period for rent payments and the right to cure defaults on rent payments
- Right to sell the manufactured home to a buyer that qualifies as a new tenant in the community, without having to first relocate it out of the community
- Right to sell the manufactured home in place within 30 days after eviction by the community owner
- Right to sublease, or assign the pad site lease, for the unexpired lease term to the new buyer of the tenant's manufactured home without any unreasonable restraint, so long as the new buyer or sublessee qualifies as a new tenant within the community

- Right to post "For Sale" signs that comply with community rules and regulations
- Right to receive at least 60-days' notice of planned sale or closure of the community

4. Access to Resources and Financing

Kentucky Targeted Owner-Occupied Emergency MHU Replacement Program targets very low-income, severely housing cost burdened households living in pre-HUD code MHUs where substandard conditions pose a threat to residents' health and safety. As such, the program will serve some of Kentucky's most vulnerable residents. By replacing pre-1976 MHUs with new energy-efficient models recorded as real estate, this program will also increase assisted household's access to home equity by replacing a depreciating personal asset with appreciating real property.

By linking MHCs with ROC USA, the Kentucky ROCs program provides newly formed cooperative boards with access to ROC USA Capital funding for MHC acquisition and infrastructure improvements. Without ROC Guidance and financial support, it is unlikely residents of MHCs would have access to sufficient capital to acquire their communities. Additionally, by buying down ROC CAPITAL loans to ROC boards with PRICE funds, the Commonwealth is reducing ROC members' housing cost burden.

Installation of accessibility improvements will be an eligible cost for home replacement or repairs provided under both the KY EMHU Replacement and Kentucky ROCs programs.

Supportive services and other amenities available to residents of proposed ROC communities will be evaluated once ROCs are selected for conversion.

5. Natural Hazards/Extreme Weather/Disaster Events

The Kentucky ROCs and the Kentucky Targeted Owner-Occupied Emergency MHU Replacement home repair and replacement activities will ensure that residents are in MHUs better equipped to respond to climate change and extreme weather events because manufacturers are designing more climate resilient units using climate appropriate materials. Older, unimproved units in poor condition are less likely to survive those events, particularly pre-HUD code units manufactured prior to 1976. Replacing unsafe, non-resilient pre-HUD Code housing that tends to be occupied by our lowest-income residents with a new, energy efficient unit is truly a transformative event for the assisted household. These investments will also significantly improve the energy-efficiency of assisted households' homes.

Kentucky ROCs infrastructure investments should also improve climate resiliency, particularly from any street, sewage, and drainage investments that will allow a MHC to better manage water accumulation and runoff in a severe rain event. Because a ROC is collectively owned, residents can better respond to climate challenges and prioritize needed resiliency investments in a MHC. These infrastructure investments can also leverage available CDBG/CDBG-DR funding from DLG.

Under the forthcoming Solar for All program, the Commonwealth commits to expand access to solar energy to low- and moderate-income households. Once the program is launched, efforts will be undertaken to educate ROC residents about the program and serve eligible households. The Kentucky Energy and Environment Cabinet Office of Energy Policy (OEP) will partner on the PRICE program, stating "For the PRICE Main application, we commit to partnering our Solar for

All funding to eligible households both under our grant and the PRICE Main project where the eligibility criteria match. The Solar for All grant will enable renewable energy to be utilized as part of an overall strategy to build more housing resiliency with mobile home replacement and rehabilitation." Solar system installation can also be an eligible home repair cost. Households eligible for Solar for All will be those located in a federally-declared disaster area (since 2021) and/or those that have received Weatherization assistance.

KHC, the state's administrator for the Weatherization Assistance Program (WAP), Community Action Kentucky, the statewide association representing and supporting all 23 Community Action agencies across Kentucky, and CAK's member agencies commit to educating ROC households about the WAP and providing WAP services to eligible households. Weatherization measures can also improve climate resiliency by better sealing the building envelope and replacing appliances such as HVAC units and water heaters with more reliable new units.

The Kentucky Targeted Owner-Occupied Emergency MHU program discourages serving units located in a special flood hazard area but waiver to locate a unit in the floodplain can be requested provided: 1) replacement unit can be elevated a minimum of 3 feet above base flood elevation, 2) a Stream Construction permit for a floodplain is obtained from the Kentucky Energy and Environment Cabinet Division of Water; and 3) assisted household must maintain flood insurance.

6. Environmental Factors

Since at this time the exact locations of the communities, properties and/or units to be assisted have not been identified, we cannot provide specific data from the Climate and Economic Resilience Screening Tool, however, the Tool will be referenced in the competitive Notice of Funding Availability (NOFA) for applicants. We will use the following resources as a part of the selection criteria to help guide funding prioritization: HUD and state designated Most Impacted and Distressed (MID) counties; the Natural Hazard Map; the Climate and Economic Justice Screening Tool; the Distressed Community Index; and Qualified Census Tracts. However, we will also ensure that manufactured communities with diverse populations are included.

The activities set forth in this Proposal will improve protection from environmental harms by improving infrastructure, rehabilitating or replacing manufactured housing units, and weatherization efforts. Infrastructure improvements such as sewer, water, water retention, drainage systems and improved green spaces will help overcome prior disinvestment in environmental infrastructure.

The Program will also conduct mitigation and resilience activities that address the rising threat that extreme weather events. The home repair and replacement activities will improve protection from and resilience to environmental harms by ensuring that residents are in MHUs better equipped to respond to climate change and extreme weather events as older, unimproved units in poor condition are less likely to survive those events, particularly pre-HUD code units manufactured prior to 1976. These investments will also significantly improve the energy-efficiency of assisted households' homes.

Kentucky ROCs infrastructure investments should also improve climate resiliency, particularly from any street, sewage, and drainage investments that will allow a MHC to better manage water accumulation and runoff in a severe rain event. The infrastructure investments can also leverage available CDBG/CDBG-DR funding from DLG.

Efforts will also be undertaken to link eligible ROC residents to their community's Weatherization Assistance Program. In addition to reducing home energy costs, Weatherization measures can also improve climate resiliency by better sealing the building envelope and replacing appliances such as HVAC units and water heaters with more reliable new units.

7. **How Plan Aligns with Existing Planning Initiatives**
The proposed PRICE Program is in alignment with existing community plans and policies, specifically the Commonwealth's Consolidated Housing and Community Development Plan (Consolidated Plan), Analysis of Impediments to Fair Housing Choice (AI), Fair Housing Action Plan, and disaster recovery plans for areas of the state impacted by severe natural disasters. DLG and KHC collaborate on the development of these Plans. The activities proposed in this PRICE Project align with the documents in that they recognize the great need in the state for affordable housing and the PRICE Project looks to further options for affordable, accessible housing through the preservation, rehabilitation, or replacement of existing manufactured housing and the creation of MHCs.

The Consolidated Plan specifically looks to address housing and community development needs throughout the Commonwealth. Increasing homeownership and supporting the rehabilitation of affordable homeownership options; expanding access to affordable housing opportunities for persons of low-and moderate-income; and increasing the quality of life in communities through water/sewer improvements and flood drainage improvements were some of the top goals of the state's most recent Consolidated Plan. The proposed Price Project plans to address all these goals.

One of the areas identified as an impediment to furthering fair housing choice in Kentucky's Fair Housing Action Plan is the specific vulnerabilities faced by many households who reside in manufactured housing. The Analysis of Impediments found that residents of mobile home parks are particularly vulnerable to evictions and that the energy costs for manufactured housing are often excessive, especially for many of the older units. Currently, KHC's Weatherization Assistance Program serves people in manufactured housing and approximately 40% of the homes addressed in the program statewide are manufactured homes.

Funding from the PRICE Main program allows us to further address these identified impediments for persons living in manufactured housing by assisting with preservation and/or replacement of manufactured homes, providing eviction prevention assistance and protecting affordable housing options by facilitating the converting of mobile home parks to resident-controlled communities.

<u>Use of Funds – Method of Distribution</u>

The Commonwealth of Kentucky will use its $28.2 million in PRICE grant funding to implement the ***Kentucky Manufactured Housing Empowerment and Improvement Program*** (KMHEIP). The ***KMHIP*** is divided into two separate programs that aim to achieve two primary goals across the state:

1) ***Kentucky ROCs Program (KY ROCs Program)***- preserve and improve existing manufactured housing communities by acquiring and converting them to resident-owned cooperatives to preserve affordability and prevent takeover by institutional investors, and
2) ***Kentucky Targeted Owner-Occupied Emergency MHU Replacement Program (KYEMHURP)*** - replace unsafe manufactured housing units (MHUs) constructed prior to the 1976 implementation of the Manufactured Home Construction and Safety Standards Program (HUD Code) that pose a threat to the health and safety of low-income Kentuckians.

Eighty-four percent of the PRICE funds will be divided equally between the Kentucky ROCs and the EMHURP, with each program receiving an allocation of $12 million. The remaining 8% of the PRICE funds will be used for program/project delivery costs, subrecipient project production fees, technical assistance and administration costs. A minimum of 2 ROC conversion projects will be funded to ensure the KMHIP can access leveraged ROC USA funding to assist with conversion of manufactured housing communities.

A. KY ROCs Program At-a-Glance

Purpose	To preserve and improve at least two (2) existing manufactured housing communities (MHCs) by acquiring and converting them to resident-owned cooperatives. Kentucky Housing Corporation (KHC) will work in partnership with ROC USA to identify and select MHCs for conversion.
Funding Sources	• Preservation and Reinvestment Initiative for Community Enhancement (PRICE) • ROC USA Capital Loans

Eligible Manufactured Housing Communities	• ≥ 25 owner-occupied manufactured housing units on leased lots
	• ≥75% of lot lease holders own their MHUs
	• ≤25% of lots are occupied by recreational vehicles (RVs)
	• ≥75 % of households earn less than 80% AMI; and, either:
	  ○ ≥20 % of households earn less than 50% AMI; or
	  ○ ≥40 % of households earn no more than 60% AMI.
	• Lot rents are currently appropriate for the local market.
	• MHC has reasonable existing operating costs as assessed by ROC USA.
	• Majority of MHC residents have documented interest in creating a ROC.
	• MHC owner has documented willingness to sell to a ROC at appraised value or below.
	• Not located in a special flood hazard area.

Geography	Anywhere in the Commonwealth of Kentucky.
Eligible Activities/Costs	• Acquisition costs to convert privately held MHCs to ROCs, including legal, title, and recording fees. • MHC infrastructure and amenity improvements, including, but not limited to roads, sewer, water, parking, water retention, community centers, and recreational facilities. • Subsidy to offset acquisition and infrastructure improvement debt incurred by ROC MHCs to ensure that site fees resident owners pay to the ROC remain comparable to or reduced from the lot rents residents paid to the previous owner of the MHC and are only subject to reasonable increases. • Repair of individual MHUs that cannot meet the Minimum Habitability Standards established by the Kentucky Housing Corporation (KHC) Affordable Housing Trust Fund (AHTF) Home Repair Program. • Replacement costs of pre-1976 MHUs (or younger units where repair costs are not financially justifiable), including acquisition and installation of new Energy Star (or equivalent)-rated

	manufactured housing unit, utility hook ups, builder's costs, any accessibility modifications that may be required and removal and disposal of existing unit. • Temporary relocation of residents if home repairs if repairs cannot be made safely while unit is occupied or if current unit must be removed prior to replacement unit installation on a lot. • Technical/legal assistance to establish ROC non-profit governing boards. • Ongoing technical assistance to ROCs during the project performance period. • Administrative/program delivery costs.
Form & Term of Assistance: ROC Acquisition/ Infrastructure	• Acquisition and infrastructure loan (up to 110% loan to value ratio) from ROC USA Capital with PRICE subsidy to ensure ongoing lot rent affordability. • 30-year lot rent affordability deed restriction placed on assisted ROC MHCs.
Form & Term of Assistance: Units Repaired or Replaced	• 15-year partially forgivable mortgage for the cost of repairs completed or replacement unit as installed. • Adjustable 0% mortgage payments will be calculated as 30% of adjusted gross monthly income, less lot rent and utility allowance and will be made for the duration of a 15-year period of affordability, unless KHC grants a hardship waiver on behalf of a client. • Any mortgage balance remaining at the conclusion of the 15-year period of affordability for units receiving repairs will be forgiven. • Should the assisted household sell the unit during the period of affordability, the HOME Investment Partnerships recapture provisions will be employed.

B. KYEMHUR Program At-a-Glance

Purpose	To replace the housing of low-income Kentuckians facing economic, health, and safety risks from pre-1976 manufactured housing units/mobile homes (MHUs) that they own with new, energy-efficient manufactured or modular units.
Funding Source	• Preservation and Reinvestment Initiative for Community Enhancement (PRICE)
Eligible Households	• Own a MHU constructed before 1976 located on a lot that they own or where unit owner can document right to occupy the lot in perpetuity. • Have ≥30% housing cost burden, based on mortgage or personal property loan payments for unit, home energy costs, property taxes, insurance, and homeowners' association/ manufactured housing park fees, as applicable. • Earn ≤50% State or County Area Median Income (AMI) (whichever is higher).
Eligible Properties	Owner-occupied MHUs constructed before 1976 on land owned or controlled by the assisted household that cannot meet the Minimum Habitability Standards established by the Kentucky Housing Corporation (KHC) Affordable Housing Trust Fund (AHTF) Home Repair Program.
Geography	Anywhere in the Commonwealth of Kentucky.
Eligible Activities/ Costs	• Acquisition and installation of new Energy Star (or equivalent)-rated manufactured or modular housing unit including foundation, unit elevation (if applicable), utility hook ups, builder's costs, and any accessibility modifications that may be required. • Removal and disposal of existing unit. • Temporary relocation to allow installation of new unit if current unit must be removed prior to replacement unit installation on the lot. • Legal assistance in recording unit as real property (if required). • Administration/program delivery costs/project production fees.

Form & Term of Assistance	• 15-year partially forgivable mortgage for the cost of the replacement unit as installed. • Adjustable 0% mortgage payments will be calculated as 30% of adjusted gross monthly income, less utility allowance and will be made for the duration of a 15-year period of affordability, unless the subrecipient requests a hardship waiver from KHC on behalf of the client. • Any mortgage balance remaining at the conclusion of the 15-year period of affordability for units receiving repairs will be forgiven. • Should the assisted household sell the unit during the period of affordability, the HOME Investment Partnerships recapture provisions will be employed.
Eligible Applicants/ Developers	• Units of General Local Government and community-based non-profit agencies with demonstrated capacity and experience who are in good standing with both the Kentucky Department for Local Government (DLG) and KHC. • Eligible applicants can choose to serve multiple counties. • *NOTE: only one project will be awarded for service in any given county*. KHC will determine a county's service provider if multiple awarded applicants propose to serve the same county. City/county governments and non-profits may enter joint partnerships to serve a county with one entity as the lead applicant.

A. NOFA Scoring Criteria for the KYEMHURP

i. Funds will be awarded in descending order based on application score.
Only one project will be awarded for service in any given county. KHC will determine a county's service provider if multiple awarded applicants propose to serve the same county. City/county governments and non-profits may enter joint partnerships to serve a county with one entity as the lead applicant.

ii. Specific Scoring Criteria for KYEMHURP

a. Experience as a housing developer/housing financier/housing program manager
b. Number of program eligible units in service area identified by applicant
c. Number of units to be replaced
d. Applicant has identified possible providers of legal assistance to resident to convert MHUs from personal to real property
e. Applicant has disposal plan, including disposal vendor or landfill for units to be replaced
f. Applicant has leveraged funding from other sources
g. Applicant has specified temporary relocation plan for residents of units to be replaced, including off-site residences or siting new home adjacent to existing
h. Applicant is serving a community(ies) with a recent history of natural disasters (declared a FEMA Individual Assistance County since 2021)

Stakeholder Engagement and Public Participation Summary

1. Public Participation Process for the Application

The Department for Local Government (DLG) published the proposed Preservation and Reinvestment Initiative for Community Enhancement (PRICE) grant application on its website for public comment from May 31, 2024, through July 5, 2024.

DLG also conducted a public hearing to gain input and feedback regarding the PRICE grant application. The public hearing was advertised on DLG's website and published in Kentucky Housing Corporation's (KHC) eGram/newsletter and through advertisements placed in the

Louisville Courier-Journal and the *Lexington Herald Leader*, the two newspapers in the state with the widest readership, on May 31, 2024. The public hearing was held on Monday, June 17, 2024, at 12:00 PM EDT. It was held at KHC's, West Annex Board Room – 1231 Louisville Road, Frankfort, KY 40601. Members of the public were offered the option to attend in-person or virtually via Zoom. Reasonable accommodation was offered, upon request, so that individuals with disabilities would have an equal opportunity to participate. No members of the public attended the public hearing besides DLG and KHC staff, either in person or virtually.

Following the public hearing the public was also notified about the availability of the draft PRICE grant application for review on the DLG website and the public comment period, ending July 5, 2024, via advertisements placed in the *Lexington Herald Leader* on May 18, 2024, and the *Louisville Courier-Journal* on May 20, 2024. Written comments could be submitted during the public comment period via email to DLG.OFG@ky.gov or via US Mail to Department for Local Government, Office of Federal Grants, 100 Airport Road, 3rd Floor, Frankfort, KY 40601 ATTN: PRICE Application. DLG received no comments during the public comment period ending July 5, 2024.

2. **Public Participation Process for the Action Plan Substantial Amendment**
After DLG and KHC revised the Action Plan for its *Kentucky Manufactured Housing Empowerment and Improvement Program* (KMHEIP), both DLG and KHC published on their websites the Notice of PRICE Action Plan Amendment, announcing the availability of the Preservation and Reinvestment Initiative for Community Enhancement *(*PRICE) Action Plan Substantial Amendment 1 for public input and comment. The public comment period was open from 8:00 a.m. on June 3, 2026, through 4:00 p.m. on July 3, 2026. Written comments on the proposed amendments could be submitted via email to DLG.DR@ky.gov or to the attention of Jennifer Peters at the Department for Local Government, 100 Airport Road, 3rd Floor, Frankfort, KY 40601. It was noted that all comments are given the same consideration regardless of the method of submission. Neither DLG nor KHC received any comments during the public comment period ending July 3, 2026.

Long-Term Effect

1. **How Proposed Activities Will Retain Opportunities for LMI Households:**
The proposed Project will support ROC conversions and accompanying infrastructure improvements, provide the residents of those ROCs with home repairs, including accessibility improvements, and replace pre-1976 MHUs (or younger units where rehabilitation is not economically justifiable) occupied by ROC residents, with Energy Star-rated units. Additionally, it will provide Energy Star-rated replacement MHUs to very low-income households residing in units built before 1976 who face severe housing cost burden and housing conditions that pose a threat to occupant safety. These investments will help preserve naturally occurring affordable housing, empower residents of ROC communities, provide residents in MHUs with substandard housing conditions with needed repairs or unit replacement, and improve the quality of shared infrastructure and community amenities in assisted MHCs. Assisted households will be able to reside in safe, decent, energy-efficient permanently affordable homes.

By preserving these units and strengthening these communities, we will be able to retain existing affordable housing and at the same time help to reduce the demand on other affordable housing options. Since affordable housing is in such short supply across the state, any efforts that decrease displacement help prevent manufactured housing residents from adding to the demand for the limited affordable housing stock. By preventing displacement of manufactured housing residents, we will help to retain affordable housing opportunities for other LMI households in the communities.

3. **How Long-term Affordability Will Be Ensured:**
Both the Kentucky ROCs and Kentucky Targeted Owner-Occupied Emergency MHU Replacement Programs will ensure the long-term availability of affordable manufactured housing options to low- and moderate-income households. Transferring MHC ownership to a resident-owned limited liability cooperative under the Kentucky ROCs Program will ensure that residents are not at risk of rapidly increased lot rents and have a voice in their community's management. In a presentation to the National Council of State Finance Agencies, ROC USA reported that ROC site fees are $600/year below market after 5 years and that ROCs are raising site-fees 1% per year compared to a 5.9% industry average. As stated by Freddie Mac "[t]he main reason for higher pad rents at investor communities is the investor's need to seek economic returns, while shareholders in a resident-owned community have no such need, and any excess collections by the community are retained by the community." The Kentucky ROCs Program will use PRICE funds to offset acquisition and infrastructure improvement debt incurred by ROC MHCs to ensure that site fees resident owners pay to the limited equity cooperative remain comparable to or reduced from the lot rents residents paid to the previous owner of the MHC and are only subject to reasonable increases over time.

A. **Affordability Restrictions**: The Project will also ensure the ongoing affordability of assisted ROCs by placing a <u>30-year affordability deed restriction</u> on the land. Additionally, payment on 0% interest forgivable loans provided for home repair and unit replacement (in both programs) will be limited to 30% of an assisted household's adjusted income during the <u>15-year period of affordability</u>. At the conclusion of that period, the remaining balance on the loan will be forgiven.

B. **Preserving Affordability in Kentucky ROCs**:
   i. A 30-year affordability deed restriction will be placed on each Kentucky ROC MHC's lots and infrastructure.
   ii. The Project will use PRICE funds to offset acquisition and infrastructure improvement debt incurred by ROC MHCs to ensure that site fees resident owners pay to the limited equity cooperative remain comparable to or reduced from the lot rents resident paid to the previous owner of the MHC and are only subject to reasonable increases over time.
   iii. ROC units receiving PRICE-funded home repair or replacement will be secured via partially forgivable loans for the cost of the repairs or the replacement unit. Adjustable 0% mortgage payments will be calculated as 30% of adjusted gross monthly income and will be made for the duration of a 15-year period of affordability, unless the subrecipient requests a hardship waiver from KHC on behalf of the client. Any mortgage balance remaining at the conclusion of the 15-year period of affordability for units receiving repairs will be forgiven.
      - Should the assisted household sell the unit during the period of affordability, the HOME Investment Partnerships recapture provisions will be employed.

- Program income generated by loan payments will be allocated to the Kentucky Targeted Owner-Occupied Emergency MHU Replacement Program.

C. ***Preserving Affordability in Kentucky Targeted Owner-Occupied Emergency MHU Replacement:***
Replacement units will be secured via partially forgivable loans for the cost of the replacement unit. Adjustable 0% mortgage payments will be calculated as 30% of adjusted gross monthly income (less taxes, insurance, and utility allowance) and will be made for the duration of a 15-year period of affordability, unless the subrecipient requests a hardship waiver from KHC on behalf of the client. Any mortgage balance remaining at the conclusion of the 15-year period of affordability for units receiving repairs will be forgiven. Should the assisted household sell the unit during the period of affordability, the HOME Investment Partnerships recapture provisions will be employed.

4. How the Activities Will Promote Stable Homeownership Opportunities
Both the Kentucky ROCs and Kentucky Targeted Owner-Occupied Emergency MHU Replacement programs will promote stable homeownership options to low- and moderate-income households. Via the Kentucky ROCs program, the Commonwealth will ensure that some of the state's 1,594 mobile home parks of record will be able to remain affordable in perpetuity by acquiring existing Manufactured Home Communities (MHCs) and converting them to Resident-Owned Cooperatives (ROCs). Under the ROC model, residents pay site fees to a limited equity cooperative that they own, rather than a landlord. Because the cooperative owns the land, resident ownership is secure; this can enable residents to qualify for a lower interest home mortgage loan, rather than a higher interest, personal asset chattel loan. The ROC's profits from rent are reinvested into the MHC. By investing in infrastructure improvements and unit repair/replacement along with ROC creation, the Kentucky ROCs program will ensure that residents in assisted MHCs have housing cost stability and secure tenure in safe, decent housing in desirable communities.

The proposed Kentucky Targeted Owner-Occupied Emergency MHU Replacement Program will be available to qualified owner-occupied MHUs where the owner currently owns the lot or has a substantial ownership interest in the lot. Subrecipients will replace approximately 100 pre-1976 manufactured housing units occupied by very low-income Kentuckians who face health and safety risks in their homes and carry a severe housing cost burden with a new, Energy Star-rated replacement unit. All replacement units will be permanently affixed to the land and recorded as real property. Replacement units will be secured via partially forgivable loans for the cost of the replacement unit. Adjustable 0% mortgage payments will be calculated as 30% of adjusted gross monthly income and will be made for the duration of the 15-year period of affordability, unless the subrecipient requests a hardship waiver from KHC on behalf of the client. Any mortgage balance remaining at the conclusion of the 15-year period of affordability will be forgiven.

5. How the Activities Will Build MHUs and MHCs That Recover Quickly from Hazards
Kentucky ROCs infrastructure investments will also improve climate resiliency, particularly from any street, sewage, and drainage investments that will allow a MHC to better manage water accumulation and runoff in a severe rain event. With assistance and financing from ROC USA, assisted ROCs will identify and install needed infrastructure and amenity improvements, including, but not limited to roads, sewer, water, parking, water retention, community centers,

and recreational facilities, all things needed to improve service provision, MHC systems capacity, and quality of life. PRICE funding will support costs for such activities and can also be leveraged by Community Development Block Grant (CDBG) and, where applicable, CDBG Disaster Recovery funding from DLG.

The Kentucky ROCs home repair and replacement activities will ensure that residents are in MHUs better equipped to respond to climate change and extreme weather events as older, unimproved units in poor condition are less likely to survive those events, particularly pre-HUD code units manufactured prior to 1976. These investments will also significantly improve the energy-efficiency of assisted households' homes.

Under the forthcoming *Solar for All* program, the Commonwealth commits to expanding access to solar energy to low- and moderate-income households. Once the program is launched, efforts will be undertaken to educate ROC residents about the program and serve eligible households. The Kentucky Energy and Environment Cabinet Office of Energy Policy (OEP) will partner on the PRICE program. The Solar for All grant will enable renewable energy to be utilized as part of an overall strategy to build more housing resiliency with mobile home replacement and rehabilitation. Solar system installation can also be an eligible home repair cost.

Efforts will also be undertaken to link eligible ROC residents to their community's Weatherization Assistance Program. In addition to reducing home energy costs, Weatherization measures can also improve climate resiliency by better sealing the building envelopes and replacing appliances such as HVAC units and water heaters with more reliable new units. Replacing unsafe pre-1976 MHUs with new Energy Star-rated units will ensure that residents are in MHUs better equipped to respond to climate change and extreme weather events as older, unimproved units in poor condition are less likely to survive those. The new units will also significantly improve the energy-efficiency of assisted households.