

## PRICE Substantial Amendment 1

### Proposed changes:

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 we feel are necessary to make to 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.