

SmartMH™ KY, a Next Step® Program



Next Step's mission is putting sustainable homeownership within reach of everyone, while transforming the manufactured housing industry one home at a time.



Next Step teamed up with Clayton Homes, Champion Homes, Cavco, and Kit Homebuilders West to create and distribute a unique line of manufactured and modular homes to meet the requirements of nonprofit housing providers and the customers they serve.

Solution: A Scaled Market Strategy



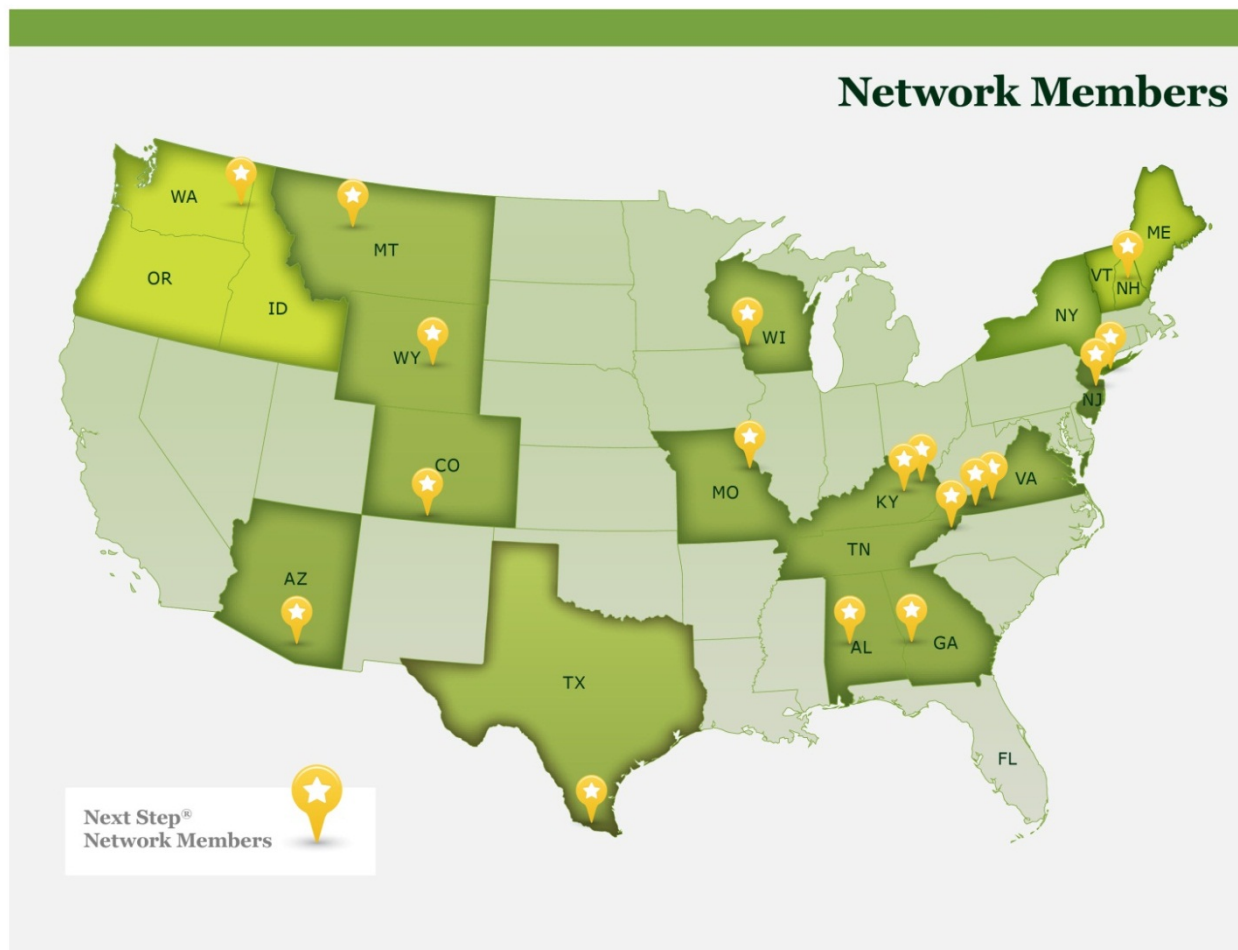
When a home is done right every single time, we can create an opportunity for systemic change.

We believe:

- **A manufactured home designed to balance quality with affordability**, built to ENERGY STAR standards and placed on an FHA Title II Permanent Foundation is central to the appreciation of factory-built housing values.
- **Access to fair, fixed-rate home financing is essential** to healthy housing markets and the capacity to build wealth through homeownership.
- **Replacing pre-HUD Code mobile homes with ENERGY STAR homes** can significantly drive down the cost of home ownership and reduce energy use.

The Next Step System

1. **Homebuyers prepared and supported** through certified homebuyer education programs;
2. **ENERGY STAR homes** on FHA Title II permanent foundations;
3. **Life-cycle pricing** that is transparent to the nonprofit and to the homebuyer;
4. **Mortgages with fair terms** that enable families to earn wealth and/or preserve assets; and,
5. **“A Home is a Home” policy commitment** advocating that owners of manufactured homes have the same rights as owners of site-built homes.



Manufactured Housing is the largest unsubsidized affordable housing stock in the US:

- **8.6 million owners of Manufactured Housing**
- Serving families with avg. income of \$29,000 (around 50% AMI)
- About 2.9 million own homes, but rent the land under them in 50,000 Manufactured Housing Communities
- High-density, low-impact development and efficient production

Subsidized Housing

- 2.5 million LIHTC
- 2 million Section 8 Vouchers
- 1.2 million Public Housing Units
- **Total: 5.7 M**

A Nationwide Problem



Mrs. Kelly's Frightening Utility Bill

In 2007, Phyllis Kelly approached Frontier Housing about repairs to her pre-1976 mobile home, which she was struggling to maintain, often **spending more than half her monthly income on utilities.**



GRAYSON RURAL ELECTRIC COOPERATIVE CORPORATION
109 Bagby Park, Grayson, Kentucky 41143
Phone 606-474-2120 Or Toll Free 877-294-4910 www.graysonrecc.com
Office Hours 7:30 - 4:30 Monday - Friday

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13274

A Touchstone Energy® Cooperative

| NUMBER | NAME | RATE | CYCLE | METER NUMBER | SERVICE ADDRESS | | |
|---|-------------------------------------|----------|------------------------|-------------------------------|-----------------|--|------------------------|
| 001 | KELLEY PHYLLIS | 1 | 13 | 82880201 | RT 32 | | |
| SERVICE | TO | NO. DAYS | METER READING PREVIOUS | METER READING PRESENT | MULTIPLIER | KWH USAGE | \$ AMOUNT |
| 8 | 01/20/09 | 33 | 30106 | 33626 | 1 | 3520 | 285.11 |
| 8 | FUEL ADJUSTMENT | | | | | 3520 | 22.63 |
| | INTEREST | | | | | | -8.72 |
| | ENVIRONMENTAL SURCHARGE | | | | | | 17.29 |
| | SCHOOL TAX | | | | | | 9.75 |
| | CURRENT BILL DUE | | | 02/17/09 | | | 326.06 |
| | PAST DUES AMOUNT DUE | | | | | | 323.67 |
| | YOU FOR YOUR PAYMENT | | | 01/06/09 | | | -159.79 |
| | PAST UNPAID BALANCE | | | (DISCONNECT DATE IS 02/04/09) | | | 163.88 |
| | ELECTRIC BILL DUE | | | | | | 489.94 |
| | CITIES DISPOSAL | | | | | | |
| | BALANCE AS OF LAST BILL ON 12/26/08 | | | 15.21 | | | |
| ADDITIONAL INFORMATION | | | | | | TOTAL DUE | \$ CONTINUED... |
| Bill may be paid by below methods. However, payment must be made at Cooperative's headquarters by the end of the Due Date, whether in full or in part. | | | | | | AFTER DUE DATE PAY | \$ 536.78 |
| We collect <u>current</u> month's bills only by the end of the Due Date. | | | | | | IMPORTANT DISCONNECTION NOTICE: DUE TO YOUR PREVIOUS UNPAID BALANCE, YOUR ELECTRICAL SERVICE WILL BE DISCONNECTED IF THE PREVIOUS UNPAID BALANCE IS NOT PAID BY 02/04/09 | |
| Past Due are considered Past Due and may be subject to service disconnection. No extension of time is inferred by due date of the current bill. Prior to service disconnection, Past Due Amounts remain in effect. They may be paid by any local banks. | | | | | | | |
| ADDITIONAL CONDITIONS AVAILABLE ON REQUEST | | | | | | | |

Mrs. Kelly's Dream Home

Since Mrs. Kelley's new home was ENERGY STAR certified, she saved so much on utility costs that her **new monthly mortgage payment and utility bill combined were less than the utility bill alone in her previous home.**



"Mrs. Kelly gave me a new purpose in life to keep working to do this for other families."
Stacey Epperson, Next Step CEO

Mobile Home Replacement Efforts

- **NeighborWorks® Montana** received \$350,000 to fund a pilot program for the decommissioning and replacement of older mobile homes.
- **Affordable Housing Alliance, New Jersey** is replacing pre-HUD Code units in Eatontown with ENERGY STAR homes as part of the state's affordable housing initiative.



Next Step is committed to replacing the remaining two million pre-HUD Code mobile homes standing in the US.

We project that in the first year, each replacement home saves:

- **\$1,800 in energy costs per year for a family***
 - Approximately 15 weeks of groceries
- **2.25 tons of greenhouse gas emissions***
 - Approximately 193 trees planted to match carbon offset

Over a 30-year loan, a low-interest, fixed-rate mortgage can save:

- **\$60,000 in mortgage interest for the homeowner****
 - Approximately 2.3 full in-state college tuitions

**Projections calculated by [Systems Building Research Alliance](#)*

***Based on the comparison of a 20-Year MH Loan at 12% with a 30-year traditional mortgage at 4%*

By requiring that our homes be built to meet ENERGY STAR certification, we maximize energy cost savings for homeowners.

For new development, we project that each Next Step Home saves:

- **\$360 in energy costs per year for new development***
- **2.25 tons of greenhouse gas emissions***
 - Approximately 193 trees planted to match carbon offset

Over a 30-year loan, a low-interest, fixed-rate mortgage can save:

- **\$115,000 in mortgage interest for the homeowner****

**Projections calculated by [Systems Building Research Alliance](#)*

***Based on the comparison of a 20-Year MH Loan at 12% with a 30-year traditional mortgage at 4%*

In Michigan, there are 111,470 pre-1980 mobile homes, or 43% of all manufactured housing units in Michigan.

- **2012: 1,436 new manufactured home units placed in Michigan**
- **2013: estimated 1,400 to 1,600 units placed with the assumption of a 10% increase from 2012**

ENERGY STAR manufactured housing in Michigan is virtually nonexistent, with just 3 homes in 2012 and none in 2013.

The Systems Building Research Alliance administers a program in the Tennessee Valley where the Tennessee Valley Authority pays incentives to manufactured home producers to upgrade homes to ENERGY STAR.

After operating the program for several years without much participation, SBRA and TVA moved the rebate to the plant from the retailer. Since that change two years ago, a total of about 2,200 rebates have been paid for the completion of ENERGY STAR homes.

Next Step is working with SBRA and other key stakeholders to replicate the program in Kentucky.

Manufactured homes represent an important source of affordable housing for Kentuckians.

- Account for 13.6% of the state's overall residential stock.
- 85,000 were built before 1976 when the federal building code for manufactured homes (the HUD Code) went into effect.
- In Kentucky, families pay between \$200-400 for utility bills in the summer and \$400-800 for utility bills in the winter.
- Over the last five years, an average of 2,113 manufactured homes was sold with less than 1% certified as ENERGY STAR.

Homes not certified as ENERGY STAR are more expensive to own and operate, and as a result, place undue strain on lower-income families that could benefit most from energy cost savings.

Residents of manufactured homes spend nearly twice as much on energy per square foot of living space as residents of site built homes.

- On average, residents of manufactured homes spend \$1,500 annually on energy, or 5% of total household income
- Residents of manufactured homes spend 30% more income on energy than the average American household and 66% more than owners of site-built homes
- On average, manufactured homes use 11,787 kWh of electricity. Homes that use natural gas consume an average of 69.1 MMbtu, primarily for space heating

Manufactured homes can be more energy efficient than site-built homes at a lower cost by using high-efficiency building techniques and by maximizing economies of scale and volume purchase.

The primary goal of the SmartMH KY project is to transform the Kentucky manufactured housing marketplace by increasing ENERGY STAR home production from 1% to 50% in two years.



- **Next Step® Network**
- **System Building Research Alliance**
- **MHI**
- **KMHI**
- **Kentucky Housing Corporation**
- **Kentucky Energy and Environment Cabinet, DEDI**
- **Kentucky Public Service Commission**
- **Ford Foundation**
- **Tennessee Valley Authority**
- **East Kentucky Power Cooperative and its Members (not confirmed)**
- **Other utility partners to be determined**
- **Clayton Homes**
- **Fleetwood Homes**
- **Others manufacturing partners to be determined**

- 1. Partners market and promote program to customers**
- 2. Partners recruit utilities for participation in rebates**
- 3. Partners negotiate ENERGY STAR upgrades with home manufacturers**
- 4. Utilities pay ENERGY STAR rebate to home manufacturers**
- 5. SBRA administers rebate with utilities and ensures ENERGY STAR compliance**
- 6. Partners develop curriculum and webinars for installers on ENERGY STAR home installation and for appraisers on appraisal of ENERGY STAR manufactured homes**

- 7. Partners support public policy efforts**
- 8. Partners administer program surveys and interview homeowners**
- 9. Partners deliver installer training through existing industry training channels**
- 10. Partners deliver appraiser training through existing industry training channels**
- 11. Partners publish case study based on survey findings and data analysis**
- 12. Partners disseminate case study at regional and national meetings**

- 4 utilities participate to launch the program with the goal of obtaining statewide coverage in two years
- 2 home manufacturers participate
- SBRA administers upgrades for 1,000 homes with compliance and inspection
- 10 installers receive training on proper installation of ENERGY STAR manufactured homes
- 25 appraisers receive training on proper appraisals of ENERGY STAR manufactured homes
- 1 case study is produced on the program's findings
- 2 public policy recommendations are made to support the ongoing program at sustainable levels

- Increase manufactured home shipments in Kentucky from less than 1% of ENERGY STAR manufactured homes to 50% in two years by upgrading 1,000 homes
- Save Kentuckians an estimated average of \$66 monthly and \$792 annually on energy costs
- Save Kentuckians a collective \$943,200 in energy costs each year
- Leverage \$64 million in housing investments for 1,000 homes
- Reduce carbon emissions by 2,250 tons each year
- Replace an estimated 150 pre-HUD Code mobile homes with ENERGY STAR homes

- **Four Kentucky utilities develop cost-effective, scalable energy efficiency programs that cut utility consumption by 30%**
- **Manufactured home installers in Kentucky are prepared to deliver ENERGY STAR housing to the marketplace with proper installation**
- **Appraisers in Kentucky understand and can recognize the value of ENERGY STAR housing in the marketplace**
- **At least one programmatic, regulatory or statutory policy recommendation is implemented**

SmartMH KY can impact the approach to energy efficiency within utilities and the manufactured housing industry, but its benefits partnership also reach the customers and communities they serve.

- ENERGY STAR homes stabilize the manufactured housing market through better home resale values, home financing options, stable property values and tax base
- Homeowners in Kentucky that participate in SmartMH KY will receive an affordable, quality home that creates an opportunity for wealth building
- Provides a guide map for a program that can be used to deliver an energy efficiency program that can be scaled nationally
- Offers a policy framework that supports the scaling and financing of ENERGY STAR manufactured homes in Kentucky, the Tennessee Valley, and other states interested in replicating the program

Thank you for your interest and participation!

Visit our website to learn more: www.NextStepUS.org

And for further information, please contact:

Stacey Epperson, President & CEO

s.epperson@nextstepus.org

606.776.0953 (m), 502.992.9424 x 123 (o)