Manufactured Housing Communities (MHCs) that are Limited Equity Co-ops (LECs) in VT

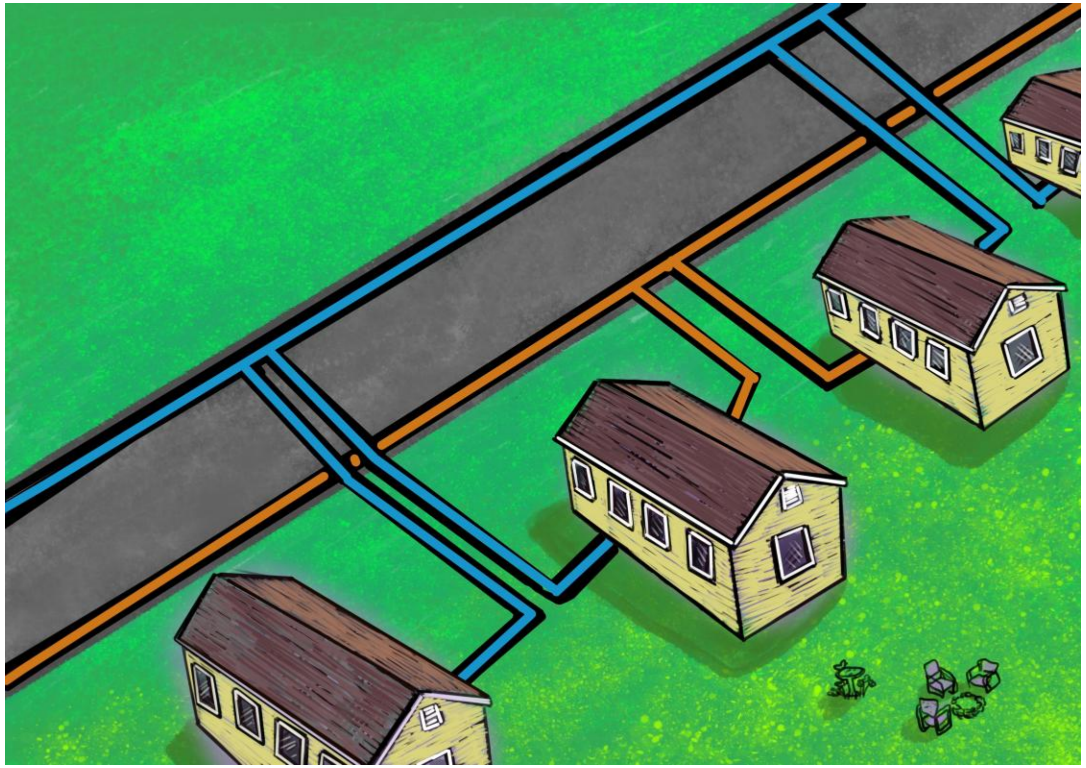
- Herein called “co-ops”
- 18 co-op in the state serving about 1,700 households (~24% of all MHC lots)
- CDI helped form 16 of them and continues to provide technical assistance (TA) in two forms:
  - Day-to-day governance and operational support – CDI’s NEROC program
  - Infrastructure funding and improvement support – CDI’s WISP program

MHC LECs are a Key Source of Affordable Housing

- Co-ops are predominantly low income:
  - Income surveys of CDI’s portfolio show that 84% of households earn less than 80% of area median income (AMI), and 60% of households earn less than 50% of AMI
- Co-ops operate on a not-for-profit basis:
  - Members set their own budgets
  - Lot rents are set at no greater than the cost to run the community
    - Expenses, debt service, capital reserves, and a 10% cash flow buffer included in budget – all end of year surpluses typically get reinvested into capital improvements
    - Rents in CDI’s MHCs have only increase 1.2% on average per year

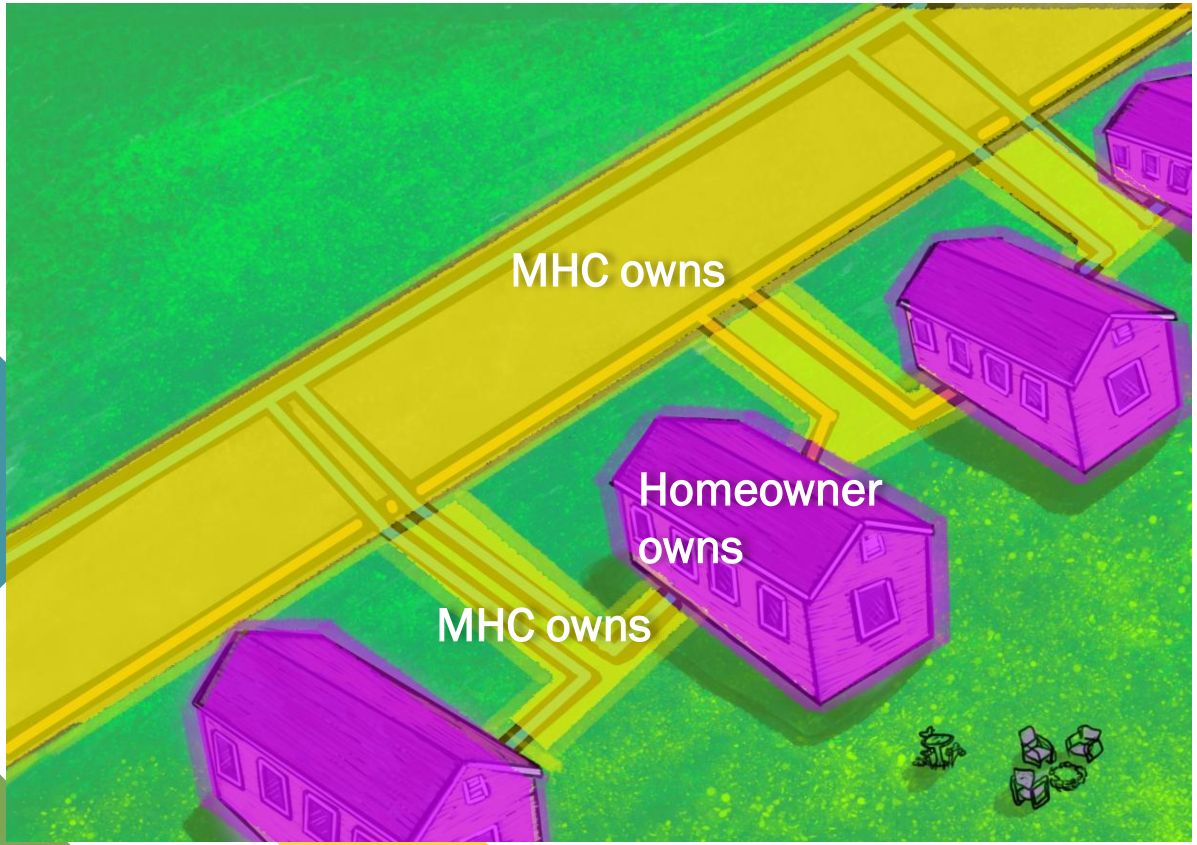
MHC LEC Infrastructure Threatens Affordability

- MHC Infrastructure was typically built in the 1960's and 1970's:
  - Little to no regulations at the time, poorly built
  - At the end of its life cycle, very expensive to replace to current standards (50-60K per home for just DW,WW,SW, and roads)
- Infrastructure ownership in MHCs differs from ownership in other residential neighborhoods...

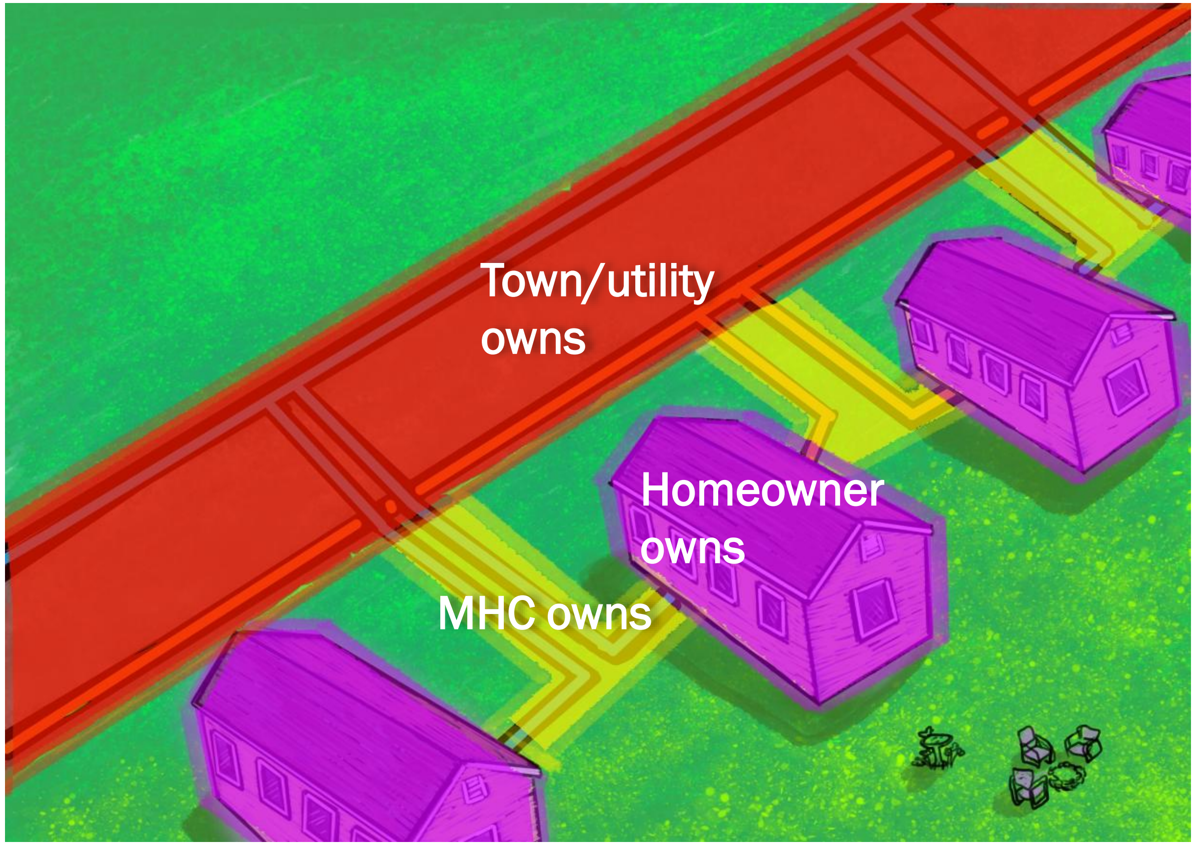


MHC LEC Infrastructure Threatens Affordability

Current State



If an MHC were treated like a typical residential neighborhood..



MHC LEC Infrastructure Threatens Affordability

- Co-ops have a whole layer of infrastructure (water, sewer, stormwater, electric, roads) that they must pay to replace and maintain, in between:
  - What the town/utility owns – typically at the front entrance of the MHC
  - What the homeowner owns – within the manufactured home building envelope
- This is a big amount of money to spread among 9 – 265 low-income households to pay (the range MHC LEC sizes)
  - EG, North Ave's project is $7MM to upgrade infrastructure for 120 homes
  - By comparison, towns and utilities can spread out their costs over bigger populations and they have much better access to lower-cost infrastructure funding/financing.

Strategies to Remedy this Inequity

- Have towns and utilities take ownership of roads and utilities in roadways in co-ops
  - Very limited willingness in our experience
- Provide grant funding for co-op infrastructure
  - Limited now in current funding environment
- Revisit co-op taxation. MHC LEC's are taxed in two layers
  - The value of the home and homesite – household pays
  - The value of the MHC land – the co-op pays out of lot rents

MHC LEC Land Taxation

- Co-op land tax valuation currently set using an “income approach,” which doesn’t make sense since they have a public benefit in statute and operate on a not-for-profit basis.

- Towns and utilities provide **less services** to co-ops than typical residential neighborhoods – see graphic above. Land tax payable by co-ops should be adjusted to account for this inequity.

- Any reduction in land tax payable by co-ops frees up purchasing power for infrastructure financing.

- Households would continue to be taxed on the value of their home and homesite in this scenario.

- **If this inequity goes unaddressed, co-ops must either continue to deal with failing, substandard infrastructure or they will become unaffordable**