

2014

MULTIFAMILY FINANCE GUIDELINES



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**THE APPLICATION CHECKLIST AND SCORE SHEET
ARE ATTACHED AT THE END OF THE GUIDELINES.**

Application Materials

Forms required to complete the application are located on KHC’s Web site under *Housing Production; Multifamily Finance; [Application, Guidelines, and Underwriting Models](#).*

- | | |
|--|--------------------------------|
| • Score Sheet | • Green Construction Checklist |
| • Application Checklist (part of online application) | • ENERGY STAR Checklist |
| • Underwriting Model | • Other KHC-provided forms |

Information Sharing

KHC reserves the right to share, at its discretion, all project-related information, including the application, attachments, technical submission documents, and other pertinent materials with other funders participating in the project throughout the life of the project. KHC will not share personal information,

such as financial statements, tax returns, credit reports, and other credit review documents unless specifically authorized by the applicant.

Introduction and General Information

Kentucky Housing Corporation (KHC) offers a competitive funding process to create affordable housing in conjunction with our development partners. Through this process, KHC administers federal and state resources to enable the development and rehabilitation of safe, affordable housing for Kentucky families.

These guidelines instruct applicants how to apply for Multifamily Finance resources available through KHC's competitive funding application process and explains program criteria and basic requirements, applicant expectations, and review processes.

If there are any inconsistencies between the requirements in the [2014 Qualified Allocation Plan \(QAP\)](#) and the 2014 Multifamily Finance Guidelines, the QAP requirements will prevail for Low Income Housing Tax Credit (Housing Credit) applications.

Funding Sources Available

The following funding sources are available for multifamily housing production through the September 2013 competitive funding process. Please refer to the QAP for Housing Credit pools and set-asides.

HOUSING CREDIT PROJECTS

Funding Source	Projected Amount Available
HOME Investment Partnerships (HOME) Program	\$3,000,000
Affordable Housing Trust Fund (AHTF)	\$1,500,000
Risk-Sharing	Amount Available Based On Demand

NON-HOUSING CREDIT PROJECTS

Funding Source	Projected Amount Available
HOME Investment Partnerships (HOME) Program	\$500,000
HOME Community Housing Development Organization (CHDO)	\$500,000
Affordable Housing Trust Fund (AHTF)	\$500,000
Affordable Housing Trust Fund (AHTF) - <i>Transitional Housing Set-aside</i>	\$300,000
Small Multifamily Affordable Loan (SMAL) Program	\$2,100,000

****KHC reserves the right to reallocate funds between the Housing Credit and Non-Housing Credit set-asides in order to fund the maximum number of projects possible.***

Projects requesting Housing Credits will be limited to the amount of HOME and AHTF combined in an amount equal to the lesser of \$35,000 per unit or \$500,000 per project. Furthermore, the maximum allocation of AHTF per project may **not** exceed \$300,000.

For non-Housing Credit projects, due to the limited supply of gap financing, KHC will limit the amount of HOME and/or AHTF funds to no more than the applicable 221(d)(3) limit for a one-bedroom unit multiplied by four. Of that combined amount, no more than \$300,000 may be from AHTF. Projects may have more than four units; however, the subsidy is limited to the 221(d)(3) one-bedroom limit multiplied by four. For AHTF-only projects, the maximum allocation of AHTF may also not exceed \$300,000.

Eligible Project Types

Multifamily projects of any size are eligible to apply for one or more sources of KHC financing available through the funding process. The following are examples of eligible project types.

- Family Housing
- Elderly Housing
- Special Needs Housing
- Permanent Supportive Housing
- Transitional Housing
- Veterans' Housing

KHC has set aside \$300,000 of AHTF specifically designated for **transitional housing** projects. The purpose of transitional housing is to provide short-term rental housing to individuals or families who are transitioning from a service or treatment facility into permanent housing and independent living. All transitional housing applications must submit commitment letters from service provider and referral sources, as well as a permanent housing component packet. This component must be detailed and include how permanent housing will be offered, along with any additional services that may be required. Refer to [Chapter 11 Transitional Housing Guidelines](#) for more information.

In addition, KHC has allocated Housing Credit resources in a Nonprofit Supportive Housing Pool to specifically address the need for **permanent supportive housing** in the state. KHC's permanent supportive housing program is designed to help populations with special needs attain housing that is decent, safe, quality, and integrated into the community. To qualify for this set-aside of Housing Credit, the project must provide supportive housing services to at least 50 percent of the units for individuals or families who are elderly (**age 62 or older**), homeless, at risk of homelessness, victims of domestic violence, and/or have disabilities, acquired traumatic brain injury, aging out of foster care, **persons with HIV/AIDS**, severe mental illness, or chemical/alcohol dependency and who require access to supportive housing services.

KHC believes special needs populations should have the right to live in a home of their own, without any special rules or service requirements and in the most integrated setting possible. All tenants should have access to an array of individualized supportive services that help them keep their housing, such as case management, assistance with daily activities, conflict resolution, socialization, employment options, and crisis response.

Applicants are required to submit their supportive housing service plan, along with letters of service commitment from service providers and letters of referral commitment from agencies making referrals to the project. Please refer to the [QAP](#) for more information on the Nonprofit Supportive Housing Pool.

Notification of Application for Funding

Projects of 12 or more units and all Housing Credit projects may not apply for any KHC resources unless the highest elected local government official (mayor, county judge/executive, or equivalent) and the state representative and state senator for the proposed project's location have been notified and provided with a reasonable opportunity to comment on the proposed project. KHC will consider the responses of the local government and state officials in determining whether there is sufficient government support to ensure the success of the proposed project. Opposition to the funding of a project must provide the specific justification for the opposition and be supported by evidence and not be hypothetical or speculative. Opposition that appears to be discriminatory or violate fair housing laws (24 CFR 100) will not be grounds for failure of a project. A searchable database of Kentucky state legislators is available on the Kentucky Legislative Research Commission's Web site at www.lrc.ky.gov/legislators.htm.

Required Documents:

The applicant must submit, by certified mail or equivalent, the [Notification of Application for Funding](#) form and any documentation they wish to provide of its intent to develop affordable housing to the highest local elected office, to the state representative, and state senator in the community where the proposed project will be located. Copies of such information and the returned receipt from the certified mail or other acknowledgment of receipt documentation by the mayor or county judge executive, state representative, and state senator (or their designees) must be uploaded with the online application. Additionally, the applicant must submit the completed [Notification of Application for Funding](#) form (as provided to the local and state officials) with the development team capacity review documentation as outlined in [Chapter 1](#).

Project Funding Stages

All applicants requesting affordable housing financing through KHC's funding process will be required to adhere to the following project funding stages. These stages are discussed in greater detail throughout this manual.

1. Initial Contact/Technical Assistance
2. [Development Team Capacity and Credit Review and Scoring](#)
3. [Application Submission and Scoring Review](#)
4. [Technical Submission Stage](#)
5. [Pre-Construction/Pre-Closing Stage](#)
6. [Closing and Construction Stage](#)
7. [Construction Completion/Placed-In-Service](#)

1. Initial Contact/Technical Assistance

KHC offers technical assistance opportunities to both new and seasoned developers to help ensure a project's success. Applicants are encouraged to contact KHC to obtain assistance with projects throughout the application and development process.

In order to submit an application, a member of the development team must have developed, operated, and completed a project that is now in the affordability stage with compliance and has developed at least four rental units with Kentucky Housing Corporation. However, if no member of the development team meets this qualification, then a member **must** request application technical assistance. If more than three years has elapsed since its last KHC-funded multifamily project, the applicant/developer is strongly encouraged to attend a technical assistance meeting. At its discretion, KHC may require a technical assistance meeting prior to application submission for any developer.

Technical assistance takes new partners through the process of documentation requirements, scoring criteria, project underwriting, relocation requirements (if applicable), design and construction requirements, etc. A representative of the development entity, as well, as the person on the development team who is responsible for the preparation and submission of the application and consultant (if applicable) must attend the technical assistance meeting. Because KHC's design and construction requirements will be discussed at the meeting, it is highly recommended that the architect also attend. To schedule a technical assistance meeting, contact Andrew Hawes, senior director of Multifamily Production, toll-free in Kentucky at (800) 633-8896 or (502) 546-7630, extension 326; TTY 711; e-mail ahawes@kyhousing.org.

NOTE: Requesting or attending technical assistance training does **not** guarantee the project will be awarded funds.

2. Development Team Capacity Review

KHC will conduct a review of the experience and capacity of development team members **prior** to submission of funding applications. The result of the [development team capacity review](#) will determine whether an organization may participate in the upcoming program year and/or if any scoring issues may be present.

In determining whether to award funds and how to score funding applications, KHC reserves the right to consider any and all issues it believes impact upon the applicant's ability to successfully complete the project or to properly expend KHC resources. These issues may or may not be addressed in the funding application, and KHC reserves the right to disqualify any applicant based upon any issue KHC deems to be of such significance as to negatively impact the project or the KHC funding.

KHC may solicit feedback from other states where the applicant or other members of the development team developed projects, as well as confirming through the System for Award Management Web site at www.sam.gov that no member of the development team has been debarred from doing business with the federal government.

3. Application Submission and Scoring Review

Applications will be scored on the capacity of the development team, project design and location, and financial design/ready to proceed. Projects will be reviewed on the basis of the information contained within the application and the submitted [attachments](#), including the underwriting model. It is the responsibility of the applicant to ensure all required documentation is submitted. The project's score may be reduced if required documents on the application checklist are not submitted. Projects will be ranked according to their final score. The highest scoring projects will receive funding until all KHC resources available in this round are utilized, provided the project meets all financial and market requirements.

All applications must achieve a minimum score of 60 in development team capacity in order to continue with the application submission process. Housing Credit projects must receive a total minimum score of 220 and non-Housing Credit applications must receive a total minimum total score of 185 to be eligible for funding.

Although funds will be awarded to the highest scoring projects, KHC will make every effort to ensure funds are distributed geographically across the state. KHC reserves the right to award funding to a lower-scoring project located in a congressional district where no other funds have been allocated.

Projects selected for funding will receive a preliminary award letter that will detail additional pre-commitment documents that must be submitted to KHC before an initial commitment will be issued. Refer to [Chapter 2, Pre-Commitment Documentation](#), for more information. Additional documentation may be required on a case-by-case basis. All pre-commitment documents must be received at KHC within two weeks of the date of the preliminary award letter or the award may be withdrawn.

4. Technical Submission Stage

Once an applicant receives a preliminary award letter from KHC, the application will then enter the [technical submission stage](#). Staff will work with applicants during this stage to ensure all guidelines and requirements are met. Additional evidentiary documentation will be required and will be outlined in a letter to the applicant, along with a [checklist of items](#) that must be submitted during this stage. All projects selected for funding will be held to certain submission [deadlines](#). If the deadlines are not met, the applicant will incur penalties or lose the funding associated with the project.

5. Pre-Construction/Pre-Closing Stage

When the technical submission stage is complete, all documents have been reviewed and approved, and the final underwriting is complete, the project is ready to proceed to loan closing. During the [pre-construction/pre-closing stage](#), there is a [checklist of items](#) for the loan closing and additional pre-construction documents that must be submitted prior to the start of construction; all documents are to be returned to KHC. Your assigned project specialist may require a pre-construction conference to discuss the inspection and draw request process.

6. Closing and Construction Stage

Once the project has had its applicable loan closings and equity closing and all required pre-construction and pre-closing items have been submitted, the project will be transferred from the project specialist to KHC's post closing area. During the [closing and construction stage](#), all executed closing documents will be submitted to and reviewed by the post closing area for accuracy and completeness. Post closing staff will also oversee the project throughout the construction phase, monitor construction inspections, and process draw requests for KHC funds.

7. Construction Completion/Placed-In-Service

Upon completion of the project's construction or rehabilitation and issuance of the certificate(s) of occupancy, the project will be in the [construction completion/placed-in-service stage](#). At that time, additional completion documents must be submitted to KHC's post closing staff. A final inspection will be conducted by a KHC construction specialist, as well as the contractor and architect, if applicable. Upon review and approval of the documents required on the [Construction Completion/Placed-In-Service Checklist](#), as well as the final inspection and resolution of any punch list items, the final 10 percent retainage of KHC funds may be requested. Housing Credit projects will also complete and submit the [Internal Revenue Service \(IRS\) Form 8609 request package](#) during this stage.

CHAPTER 1: Application Process, Review, and Requirements

KHC's Multifamily Finance Department offers a competitive application for Housing Credit, AHTF, HOME, SMAL and Risk-Sharing funds. KHC staff will review and score each application submitted. Each application will be reviewed in accordance with capacity, project design, financial feasibility, and ready-to-proceed, as well as adherence to the multifamily guidelines. Any issues that could delay the project must be resolved before submitting an application.

Application Submission Dates

Application Session	Capacity Review	Electronic Submission	Award Notification
2014	June 3 – August 15, 2013	August 26 – September 3, 2013	December 2013 – January 2014

Application Preparation

The application is created and submitted through KHC's online application system. A complete application must be transmitted to KHC. KHC will send an e-mail notification to the applicant once the application has been transmitted successfully.

Applicants must consider and keep in mind the following:

- Applicants must list within their application the project amenities and unique marketable attributes that will be included in the project to enhance the tenant's accommodations and increase the marketability of the project. All amenities provided must be appropriate for the tenant population served.
- Projects that rely on fees from supportive services to pay debt service are not eligible for funding under this application.
- Applications must be submitted in the current application version and all application attachments must be uploaded to KHC's online system as part of the application submittal.
- Each application must be for an eligible project type and propose an eligible activity.
- All applicants must request all KHC funds required for the project in one application. Previously-funded projects cannot access additional funds, including Housing Credits, through the competitive application process.
- Applicants requesting HOME or Risk-Sharing funds must also submit to the Kentucky State Clearinghouse through the Department for Local Government's online system at <http://dlg.ky.gov/clearinghouse/>. Successful submission to the Clearinghouse system will generate a confirmation that includes the State Application Identification (SAI) number. A copy of this confirmation is a required checklist attachment for the KHC application.
- New construction and rehabilitation projects must meet the requirements of the latest edition of the Kentucky Building and/or Residential Code. The developer and/or builder must comply with local zoning, rules, regulations, ordinances, Universal Design and Minimum Design Standards as adopted by KHC, Housing Quality Standards (HQS) and all applicable federal rules and regulations, including the Fair Housing Act.

Rental Web Application Instructions

To generate a username and password:

- Go to www.kyhousing.org , Housing Production; Multifamily Finance; Applications, Guidelines and Underwriting Models; [Online Multifamily Finance Application](#).
- Click register, and choose a username and password. Make sure it is one you can remember, as you will use it each time you access your project through the online portal.
- You will receive an e-mail confirming your username and password from KHC.
- Your username and password will be used to access the rental Web application during all phases of your project and with future applications. If you have previously applied to KHC through the online rental application, you may use your existing username and password.
- As you access the rental Web application, there will be a drop down list identifying the active “sessions” or funding rounds. Be sure and choose the correct session. The one at the top will not necessarily be the correct one because the sessions are named based on the application round currently in effect, i.e., Session2014 is for 2014 applications.

Completing the Online Application:

- All fields marked with a red asterisk are required fields and must contain a value in order to move to the next section and for the application to save. If a particular required field or question is not applicable to your project, you may enter “N/A” or state that it is not applicable. For numeric fields that are not applicable to your project, enter a zero.
- The first section that must be completed is the capacity of the development team members. When all of the team members have been entered and the applicable documents required for the capacity and credit review have been uploaded, you will then submit the capacity team section for preliminary scoring.
 - Once the development team and all required documents have been submitted for review, the rest of the application can be completed. However, the capacity team section is locked and cannot be changed unless the recall button has been checked. At that time, KHC will have to release the capacity team back to the applicant to make changes. Any changes to the development team may result in adjustments to the capacity score.
- It is advised that as you complete each section that you press the “save changes” button to ensure that information entered is not lost before you move to the next section.
 - As a security feature, the application may “time out” after a period of inactivity. If the application times out, you will be returned to the login screen.
- When entering the funding information for KHC and non-KHC resources, the sources and amounts must match the KHC underwriting model that is uploaded with the application.
- When all information is complete and you are ready to submit the application, press the “submit for review” button. Be sure that all information is complete and all attachments have been uploaded because you will not be able to make any further changes after the application has been submitted.

Uploading Documents:

All required documentation for each stage of the project must be uploaded through the rental Web application portal. In addition, all required attachments at the application stage must be provided on a disc or flash drive.

- Naming the document files:
 - Name the file as it appears on the checklist; i.e., A 1-1 Nonprofit Application Fee.pdf. (All documents must be submitted in checklist order.)
- Uploading document files:
 - Each checklist item must have a document uploaded, even items that are not applicable (see below for more information on non-applicable checklist items).
 - If you upload multiple versions of the same checklist item, be sure to delete all of them with the exception of the most current. Otherwise, multiple copies will upload and KHC will be unable to determine the most current version.
 - The maximum file size for attachments is 10 megabytes. If an attachment exceeds 10 megabytes, it may be provided solely on the disc or flash drive; however, a sheet must be uploaded to the application system indicating the attachment is located on the disc or flash drive.
 - Examples of attachments that may exceed the file size limit are building plans, specifications, PCNA, appraisals, market studies and environmental reviews.
 - If possible, plans and specifications should be uploaded. Otherwise, the plans and specifications must be submitted on a disc or flash drive and received at KHC by the close of business on the application due date.
 - **Each electronic document, including building plans, must have all pages contained in a single file per document type.** For example, all pages of the plans must be in one document, all pages of the PCNA must be in one document, etc.
 - Non-Applicable checklist items
 - For each non-applicable checklist item, you must upload a blank sheet of paper with the appropriate checklist number and document name; i.e., A 1-1 Nonprofit Application Fee.pdf with the statement “not applicable.”
 - Each non-applicable checklist item(s) must be on a separate sheet of paper; please do not group all N/A items together on one sheet.
 - Cover sheets are not needed; please do not upload cover sheets with your documents.
 - Underwriting Model (UM) – be sure that you complete and upload the most current UM version and submit in Excel format.
 - After all checklist items have been uploaded and the application has been submitted, the user will receive an e-mail that the items have been successfully uploaded and received.
 - **For additional assistance with the online application, please contact KHC’s Annamaria Budzinski at abudzinski@kyhousing.org or (502) 564-7630, ext. 458.**

For all projects, the disc or flash drive must be identified with the project name, developer name and application number. **Documentation that is not provided may result in the application not meeting scoring requirements.** The disc or flash drive must be submitted and received by **5:00 p.m. Eastern time on September 3, 2013** to:

**Kentucky Housing Corporation
Multifamily Finance Department
1231 Louisville Road
Frankfort, KY 40601**

For the application to be complete, the most current version of the KHC underwriting model (Excel version) must be uploaded via the online application. The application attachments must be identified with the checklist name of the attachment and uploaded in the order in which they are listed on the application checklist. Developers submitting multiple applications are only required to submit one copy of their financial information. However, the developer must clearly identify within each application that the financials have been submitted.

Application Scoring and Review Process

Funding is based upon a three-step process. Applications must pass all three steps before funding can be determined. Failure to meet the requirements of any step will result in the rejection of the application.

Although funds will be awarded to the highest scoring projects, KHC will make every effort to ensure funds are distributed geographically across the state. KHC reserves the right to award funding to a lower-scoring project located in a congressional district where no other funds have been allocated. In addition, KHC may reject any application that is incomplete or does not meet the application requirements.

Projects that do not comply with all of the requirements and policies listed throughout these guidelines may be subject to having future applications scored lower due to non-compliance.

Step I: Scoring Criteria – Applications will be scored based upon capacity of the development team, project design and location, readiness to proceed and financial design. All applications must achieve a minimum score as referenced in the score sheet to move to Step II. Applications will be ranked according to their assigned score and those with the greater number of points receive priority in the conditional award process. Projects will be reviewed based on the information contained within the application and supporting documentation. KHC will review and score each application based on the information presented and will not contact developers for clarification or to obtain missing information. If KHC experiences a problem retrieving attachments that were uploaded into KHC's system and/or that are on the disc or flash drive, KHC will contact the developer to have paper copies provided. However, it must be evident that an attempt was made to upload the attachment and/or place it on the disc or flash drive.

Tiebreakers for projects receiving the same score will be resolved in accordance with the following priorities:

1. Projects wherein the applicant and/or developer, or a consultant receiving more than 25 percent of the project developer fee, have not had another project selected for funding prior to the tie in this round (to help ensure more equitable distribution of resources among applicants);
2. Lower amount of Housing Credits per unit (Housing Credit projects) or lower amount of KHC resources (non-credit projects).

Step II: Financial Feasibility – A project is financially feasible if **all** (including federal, state, local, and/or KHC) program guidelines are met and the project is still viable. Rents and expenses must be reasonable, the sources and uses must balance, and the debt coverage ratio (DCR) must adhere to KHC's requirements. KHC will review the submitted underwriting model, along with information in the application and attachments. The application, underwriting model and supporting documentation must all agree. **If a contradiction exists between the underwriting model and the application, the information in the underwriting model will be used to determine the financial feasibility.**

Step III: Market Need – A market study or needs analysis is required to be submitted with the application and will be reviewed in accordance with KHC's guidelines. Projects are required to have an acceptable market. If the market is not acceptable, **funds will not be allocated and the application will be denied.** Market studies and needs analyses will only be accepted by firms that are on KHC's approved list and are only valid for one year from the date of the study/analysis.

Development Team Capacity and Credit Review

The following items must be uploaded with the online application for KHC to complete the capacity and credit review. All applicant/developers, owners/general partner(s), and guarantors (other than individual guarantors) must submit the following documentation based on its organizational structure. If the ownership entity is yet to be formed, this documentation is not required with capacity review submission.

Corporation:

- Articles of Incorporation, and any amendments
- Bylaws, and any amendments
- Kentucky Secretary of State Certificate of Existence
- Current Financial Statements (2 years' Balance Sheet, Profit & Loss and Cash Flow Statements)
- Business Credit Report Authorization
- Most recent one year business tax return
- Corporation's Tax Identification Number

Limited Liability Company:

- Operating Agreement, and any amendments
- Articles of Organization, and any amendments
- Manager Managed or Member Managed (indicate where in Articles or attach)
- Kentucky Secretary of State Certificate of Existence
- LLC's Current Financial Statements – 2 years' Balance Sheet, Profit/Loss & Cash Flow Statements
 - Note: A new LLC will require individual members' financial reports and credit reports.
- Business Credit Report Authorization
- Most recent one year business tax return
- LLC's Tax Identification Number

Nonprofit Corporation:

- Articles of Incorporation and any amendments
- Kentucky Secretary of State Certificate of Existence
- IRS 501(c)(3) status letter
- Current financial statements (2 years' Balance Sheet, Profit & Loss and Cash Flow Statements)
- A resolution from the nonprofit's Board of Directors that authorizes:
 - The application being made for specific KHC Multifamily Finance funding (i.e. tax-exempt bonds, Housing Credits, HOME, AHTF, or other KHC resources that may be available),
 - The amount of ownership interest the nonprofit has in the venture;
 - The nonprofit's specific liabilities in the development; and
 - The anticipated percentage of the developer fee that will be shared with another entity
- Business Credit Report Authorization
- Most recent IRS Form 990
- The [Nonprofit Questionnaire](#) must be completed by all nonprofits with any ownership interest in the development and that wish to compete in the nonprofit set-aside. This form is located on KHC's Web site under Housing Production; Multifamily Finance; [Application, Guidelines, and Underwriting Models](#) and must be uploaded with the online application attachments.

Government Entity:

- Resolution from Appointing Authority
- Bylaws
- Current financial statements (2 years' Balance Sheet, Profit & Loss and Cash Flow Statements)

Partnership:

- Partnership Agreement (General and/or Limited) and any amendments (need Certificate of Limited Partnership for LPs)
- Kentucky Secretary of State Certificate of Existence
- Current credit report(s) for general partner(s) reflecting recent transactions
- Current financial statements (2 years' Balance Sheet, Profit & Loss and Cash Flow Statements)
- Business Credit Report Authorization
- Personal Credit Report Authorization
- Partnership's Tax Identification Number
 - Note: A new Partnership will require individual partners' financial reports and credit reports.

Foreign Entity:

- In addition to the above, all foreign entities must provide copies of their qualification to do business in the Commonwealth of Kentucky.

Description of Affordable Housing Experience

A brief narrative must be provided that describes the experience of the organization with regard to the development of subsidized affordable housing, including the number of projects and units that have been completed and placed into service.

Out-of-State Development Verification

All applicants/developers (both in state and out-of-state) and management companies must submit a copy of the Housing Finance Agency (HFA) review for developments financed with HFA resources in other states. This form can be located on KHC's Web site under Housing Production; Multifamily Finance; [Application, Guidelines, and Underwriting Models](#). KHC will evaluate each state's response and may contact a state HFA directly to obtain additional information, as well as request additional information from a developer regarding its activities in another state. Please note that each state's development verification form is due to KHC by **September 3, 2013**; therefore, it is strongly encouraged that the applicant/developer provide this form to the other state HFAs as early as possible to allow them adequate time to complete the form and return to KHC by this deadline.

Additional Required Documents

- [Notification of Application for Funding](#) - as a threshold item, all projects of 12 or more units and all Housing Credit projects must submit the completed form to evidence that the local mayor/county judge executive and State Representative and State Senator have been notified of the proposed project and have had an opportunity to provide comments. This form can be located on KHC's Web site.
- Developers must submit a spreadsheet summary of all projects under construction in any state (in any stage of completion), including their status and expected completion date.
- A full organizational chart, staff roster, and resumes of key development staff within the organization, focusing on their affordable housing development experience (required for **Applicant/Developer, Consultant, Nonprofit and Management Company**).
- A narrative identifying any identity of interest that may exist.
- A narrative that explains the proposed application for the current funding round, including:
 - The allocation pools in which the single application will compete.
 - The roles that the various organization(s) will play in the project.

Nonprofit Participation Required Documents

- Resolution signed by the nonprofit's Board of Directors must be submitted with the capacity team documentation. The resolution must include language that identifies:
 - 1) The application being made for specific multifamily finance funding (i.e. tax-exempt bonds, Housing Credit, HOME, AHTF, or other KHC resources that may be available).
 - 2) The amount of ownership interest the nonprofit has in the venture.
 - 3) The nonprofit's specific liabilities in the development.
 - 4) The percentage of the developer fee the nonprofit will receive and the percentage of the developer fee that will be shared with another entity.

Credit Review Documentation

Credit review documentation must be submitted for both the developer and general partner(s) of the ownership entity of the project. If no general partners are known at the time of application submission, the credit review documentation must be submitted for the developer entity at a minimum. Failure to submit credit review documents will result in KHC denying the application. KHC reserves the right to request additional financial information as required to conduct this review.

Developers or general partner(s) submitting multiple applications are only required to provide credit review documentation once; however, each application submitted must clearly identify where the submitted documentation can be located if included with a different application.

KHC may require a guarantor for projects allocated KHC resources (excluding Housing Credit only projects). The guarantor may be any entity or individual, other than the borrower (if the borrower is a single asset entity) and general partner(s)/managing member of the ownership entity, which has adequate financial resources and capacity to accept liability for completion of the project or repayment of all KHC resources in the event of default or termination of the project. Guarantees to KHC must be effective for the life of the loan.

Individual guarantors must submit the following documentation:

- Three years' personal tax returns
- Current personal financial statement
- Current bank statements
- Personal Credit Report Certification/Authorization Form
- KHC Personal Financial Statement (Must be prepared electronically and printed. Form is located on KHC's Web site at www.kyhousing.org).

All business financial statements must be compilation statements or audited financial statements prepared in accordance with Generally Accepted Accounting Principles (GAAP). If submitting compilation statements, there must be a certification contained with the statements certifying that they meet the requirements for a compilation statement.

Kentucky Housing Corporation will order a business credit report from Equifax on all developers, general partner(s), and guarantors where applicable.

Development Team Creditworthiness

If the applicant is applying for funds that require a guarantee, the appropriate financial documents will be reviewed to confirm the ability to guarantee the level of funding requested. If funds are being pledged to the project, bank statements will be reviewed to verify adequate funds are currently available.

If the applicant is applying for funds that do not require a guarantee, the appropriate documents are reviewed to show creditworthiness. The review will verify the applicant's other business ventures and/or personal finances, where applicable, are handled in an effective, efficient manner. Discrepancies between credit reports and financial statements are a red flag. Low Paydex scores for business reports and low FICO scores for personal credit reports are also red flags and may require more information. Near-term liabilities that the applicant is not likely to satisfy or financial statements that do not match tax returns are also areas that may require further explanation.

Other than review for cash pledged or guarantees provided, the review is to find a track record that the proposed owner/developer has a history of managing finances in an efficient manner in his/her other business practices and is an acceptable risk to KHC to develop this project.

Note: KHC reserves the right to request additional financial information, as needed. KHC handles all financial information in a confidential manner and never shares it with any other entities.

2014 Capacity Review Time Frames and Response Period

- Developers will identify the development team when they first access the online application. This system will be available on June 3, 2013 for the 2014 funding round.
- KHC will review and score the development team capacity based on the information in the application. KHC will provide developers with the score for the capacity review within two weeks of receipt of the capacity review documents.
- To ensure the highest possible standard of accuracy and thoroughness, applicants will have until August 15, 2013 to provide a written response to any factual discrepancies in the review.
- KHC will review the response, make any adjustments deemed necessary and appropriate, and provide a final capacity score on or before August 22, 2013.
- Applications entered after August 15, 2013 will be reviewed for capacity, but **will not** have the ability to submit a written response for consideration. All capacity scores after August 15, 2013 will be final.
- KHC reserves the right to modify capacity team scores if KHC receives information after the issuance of the preliminary capacity score which would result in a lower or higher score as determined by KHC at its sole discretion. In the event KHC modifies its capacity review score based on information received after issuance of the initial capacity score, applicants will have one week to provide a written response or appeal to the revised capacity score.
- Awards will be announced in December 2013/January 2014.

All written responses to any factual discrepancies must be signed, identify the discrepancy, and provide supporting documentation or a narrative justifying reconsideration. All responses must be submitted to Andrew Hawes by mail at Kentucky Housing Corporation, 1231 Louisville Road, Frankfort, Kentucky 40601, or by e-mail at ahawes@kyhousing.org.

Scoring Response Period

Once all applications have been fully reviewed, underwritten and scored, KHC will make the preliminary project score sheet available to the appropriate contact for each application. Applicants will not be made aware how other applications have scored. KHC will establish a time by which applicants can review their initial scores and offer written feedback if they disagree with their preliminary score. This is not a cure period; therefore, applicants will not be able to submit any additional or revised documentation. The purpose of the scoring response period is to allow the applicant the opportunity to address any oversights or calculation errors by KHC staff. KHC will review the applicant's written responses and make any necessary scoring corrections, if KHC concurs with the applicant. KHC will make its final scoring decision and prepare a written response to the applicant. All funding decisions will be final and will not be subject to appeal after KHC has issued its final scoring decision.

Application Attachment Requirements

Based on the KHC funding source(s) requested, certain documentation is required at application submission as indicated on the application checklist. If a required item is not submitted with the application, the project will not be eligible for points in that category. If the missing documentation is critical to the analysis of the project, funding may not be awarded. All checklist attachments must be uploaded and each document must be identified separately with the checklist item name as it appears below. If a checklist item does not apply, upload a sheet in its place that identifies the required checklist item by name and states that it is not applicable to your project. Each non-applicable document must have its own page uploaded and may not be grouped with other non-applicable items.

Below is a detailed description of items that are required at application.

A1-1 Nonprofit Application Fee

- \$1,500 application fee per pool for nonprofit applicants (Housing Credit only)
- \$100 application fee for **non-credit** project submissions from nonprofit developers.

A1-2 For-Profit Application Fee

- \$2,500 application fee per pool for all for-profit applicants (Housing Credit only)
- \$500 application fee for **non-credit** project submissions from for-profit developers.

The application fee must accompany each project submitted. If applying for two different Housing Credit pools with the same application, two fees will be required. Application fees will not be returned for incomplete applications or applications that do not meet minimum threshold requirements and all application fees (nonprofit and for-profit) are non-refundable. The application fee check must reference the project name and application number.

A2-1 Self-Scored Score Sheet

Submit an Excel version of the score sheet completed with the developer's self-score and KHC's development team capacity score. Do not submit a PDF version. Applicants are encouraged to use the comment sections of the score sheet to provide any explanations necessary.

A2-2 Application Checklist

For the application to be considered complete, it must contain all required application items listed on the checklist for the project type and funding source(s) requested. The attachments must be in the order of this checklist. The applicant must upload a copy of the completed checklist indicating the submitted documents and the ones that are not applicable.

A2-3 Technical Assistance Certification Form

This form is required for any applicant who has not previously used KHC resources to construct or rehabilitate a rental project or for applicants KHC has determined would benefit from a technical assistance meeting. Refer to the Introduction and General Information section for technical assistance requirements.

A2-4 Letter of Support

(Required for Housing Credit projects applying in the Community Impact Pool)

As a threshold item, **all Housing Credit applications for the Community Impact Pool** must include a letter of support from the mayor or county judge executive (or equivalent) who is in office at the time applications are due, of the jurisdiction where the project is located. Please

note: For merged city/county jurisdictions, the letter must be from the mayor. This letter must be a letter of support, not just a letter recognizing the project. If a letter of support is not submitted, the application will be rejected, regardless of final score. Letters of support may not be more than one year old at the time of application.

The letter must: 1) detail the need for the project; 2) address the benefit the project will bring to the community; 3) address the local jurisdiction's level of participation in developing the scope of the project; and 4) specifically identify how the project will meet an identified need in the community as defined in a local revitalization plan, or how the project will address a critical community need through the creation of new housing opportunities.

A2-5 Notification of Application for Funding

(Projects of 12 or more units and all Housing Credit projects)

All projects of 12 or more units and all Housing Credit projects must submit evidence that the completed form was received by the appropriate local and state officials; i.e., a registered mail receipt or other acknowledgement of receipt. A copy of the completed [Notification of Application for Funding](#) form as sent to the local and state officials must have been provided with the capacity review documentation prior to application submission.

A2-6 501(c)(3)– Nonprofits Only

Include a copy of your IRS 501(c)(3) designation to verify the tax-exempt status of all nonprofit organizations participating in the development, ownership or management of the project.

A2-7 Certificate of Existence

(Required for Kentucky-Based Companies)

Provide a Certificate of Existence from the Kentucky Secretary of State (<http://sos.ky.gov>) for each Kentucky-based company pledged in the project. Development teams should have already provided this documentation prior to application submission during the capacity review stage.

A2-8 Executed Contract/Letter of Intent

(Required for Kentucky-Based Companies)

An executed contract or letter of intent is required for each Kentucky-based company pledged in the project. The contract/letter of intent must disclose the parties involved, their responsibilities, and compensation. It must be executed within three months of the application submission date.

A2-9 Certification of Minority- or Female-controlled development entity

Certification is required on for-profit minority or female-controlled and managed development team members and/or Kentucky-based minority- or female-owned companies participating in the project, as pledged in the application. Refer to Chapter 10 for further guidance.

A2-10 Workforce Investment Plan

Applicants proposing to employ at least three individuals referred from a Kentucky One-Stop Career Center must submit a workforce investment plan that has been approved by a local workforce investment board. The individuals may be employed by a member of the development team, a contractor, subcontractor or any entity that is engaged in providing services to the project. The employment may be through an apprenticeship or other training program. To find local workforce investment contacts, see www.oet.ky.gov/des/documents/LWIAContacts2009.pdf or www.oet.ky.gov/des/wis/wfservices.htm.

A2-11 Applicant/Developer Certification Form

The Applicant/Developer must certify that:

- The information in the application and supporting documentation is accurate.
- They are in good standing with the Kentucky Secretary of State and the federal government.
- The project complies with Minimum Design Standards and/or Universal Design Standards.
- All information in the application has been provided to the management company.
- They have read, understand and will comply with all policies and requirements of the KHC Multifamily Guidelines and Qualified Allocation Plan, as applicable.

A2-12 Consultant and/or Administrative Contract

If a consultant or administrator is part of the development team, an executed copy of the contract detailing the services provided and their role in the project is required.

A2-13 Consultant Certification

The consultant must certify that the information within the application and supporting documentation is accurate and correct; that the project complies with applicable KHC design standards; and that they and the development team are in good standing with the Kentucky Secretary of State and the federal government.

A2-14 Management Certification

The management agent must certify that they received a copy of the application and will fulfill all the commitments made in the application and attributes pledged.

A2-15 Kentucky Intergovernmental Review Process

(Required if requesting HOME or Risk-Sharing funds)

Applicants requesting HOME or Risk-Sharing funds must submit to the State Clearinghouse through the Department for Local Government's online system at <http://dlg.ky.gov/clearinghouse>. Successful submission to the online Clearinghouse system will generate a confirmation that includes the SAI number. A copy of this confirmation is a required checklist attachment.

A2-16 Notification to Public Housing Agency

If the applicant/owner has committed to notifying the local PHA of property vacancies and to give preference to individuals on the local PHA waiting list, a signed written statement to this effect from the applicant/owner must be provided. This will need to be reflected in the Tenant Selection Plan for the project, which is not required until the technical submission stage.

A2-17 Permanent Housing Plan

(Required for all transitional housing projects)

The plan must detail how tenants will progress from transitional housing into permanent housing, giving specific examples of housing options available to the participants, such as preference on a Section 8 waiting list, permanent units set aside at other affordable housing properties, etc.

A2-18 Letter of Service Commitment

(Required for special needs, permanent supportive housing and transitional housing)

A letter will be required from each agency providing services for special needs, permanent supportive housing, and transitional housing. The letter must be on agency letterhead and be signed by the executive director or their designee stating the agency's knowledge of, and support for the specific project that is being submitted for funding consideration and that the agency will provide supportive services of appropriate type and quantity to eligible project residents. The letter must state the agency's commitment to provide case management's services to project residents. A requirement to participate in these services **cannot** be a condition of the lease.

The letter required in A2-18 and A2-19 (below) can be combined into one letter, if applicable.

A2-19 Letter of Referral Commitment

(Required for special needs, permanent supportive housing, and transitional housing)

A letter will be required from each agency providing tenant referrals for special needs housing, permanent supportive housing, and transitional housing. The letter must be on agency letterhead and be signed by the executive director or their designee stating that eligible individuals in the special needs population targeted by the proposed project will be referred to the project and provide an estimate of the number of referrals on an annual basis.

A2-20 Supportive Housing Service Plan

(Required for permanent supportive housing)

The service plan must contain the following information:

- The supportive service needs of the targeted population and the experience of the service provider with providing these services to this special needs population. In particular, a description of the agency's ability to provide case management services.
- An explanation of how the services provided meet the service needs of the target population.
- A description of how the efficacy of the supportive services will be evaluated; for example, objective measure of stable housing tenure and subjective evaluation by residents of their quality of life.
- A description of the service needs of the target population not provided by the primary service provider and a listing of other agencies in the community that might provide these services, along with the methodology to be used to link individuals with these other agencies.
- The source of funding for the supportive services and an estimate of how long the services can be provided.

A2-21 Scholar House Participation Letter

Scholar House projects must submit a letter from an official of the affiliated college(s) or university(s) that confirms their participation in the project and identifies their role and any commitment of funding to the project.

A2-22 Proof the Compliance Period Ended

(Required for rehabilitation projects previously awarded Housing Credits)

Existing affordable housing developments previously assisted with Housing Credits must provide evidence that the initial 15-year compliance period has expired in order to be eligible to apply for additional Housing Credits. For example, a letter from KHC's Compliance Department, with the

original KY#, stating the initial compliance period ending date; or a copy of the original 8609s indicating the buildings' placed-in-service dates; or a copy of the original LURA.

A2-23 Preservation of Existing Project-Based Units

(Required for projects rehabilitating project-based units)

For projects proposing to rehabilitate units with existing Project-Based Rental Assistance from the U.S. Department of Housing and Urban Development (HUD) or USDA Rural Development (RD), a letter from the appropriate governmental agency must be provided detailing when the project was placed-in-service, the number of rental-assisted units, and whether or not the project has been substantially rehabilitated since its initial placed-in-service date. Projects with a KHC rental assistance contract will be verified in-house.

A2-24 Evidence of Vacant or Foreclosed Buildings

Projects proposing the use of 100 percent vacant buildings and/or foreclosed or bank-owned buildings must provide evidence to document the building's status. For a vacant building, provide a written certification from the current owner that the building is 100 percent vacant. If the property is foreclosed or bank owned, provide evidence from the bank of the foreclosure or of bank ownership. All supporting evidence must be signed and dated within three months of the application submission date.

A2-25 Relocation Plan

(Required on all rehabilitation projects involving current tenants)

A relocation plan must be provided if the project is rehabilitating existing rental units, even if no tenants are anticipated to be relocated. The plan must detail if permanent or temporary relocation will be involved, how the relocation will occur, who will pay for it, and how the tenant will be compensated. Anticipated relocation expenses must be budgeted in the underwriting model. Projects utilizing HOME and/or Risk-Sharing are required to follow the Uniform Relocation Act (URA). Projects proposing AHTF only may refer to KHC's relocation requirements in [Chapter 7 Funding Sources and Requirements](#) of these guidelines.

All projects potentially involving relocation should discuss this with KHC's environmental/relocation specialist as early in the planning phase as possible. This issue must be addressed prior to application submittal.

A2-26 Lead-Based Paint Determination Form

(Required on rehabilitation projects built prior to 1978)

Rehabilitation of projects built prior to 1978 must complete the [Lead-Based Paint Determination form](#) to identify the level of lead treatment required. This form is located on KHC's Web site at www.kyhousing.org, under Housing Production; Multifamily Finance; [Applications, Guidelines, and Underwriting Models](#). Any anticipated expenditures related to lead-based paint assessment, abatement, and/or clearance must be budgeted in the underwriting model.

A3-1 Location Map and Directions

A location map for every project must clearly show the site location and all major streets and highways. If applicable, please indicate all nearby airports, railroad tracks, interstates, rivers, etc., that may have an adverse effect on the proposed site. For Housing Credit projects, the map must identify the location within the qualified census tract (QCT), if applicable. Please provide detailed directions from Frankfort, Kentucky to the site.

A3-2 Green Construction Checklist

To receive scoring points, new construction and rehabilitation projects must incorporate at least **six** of the green construction criteria outlined in the Green Construction Checklist. The checklist is located on KHC's Web site under Multifamily Finance and [Application, Guidelines, and Underwriting Models](#). Place a by the options that will be incorporated into the project.

The Leadership in Energy and Environmental Design (LEED) Green Building Rating System™ is the nationally-accepted benchmark for the design, construction, and operation of high performance green buildings. LEED gives building owners and operators the tools they need to have an immediate and measurable impact on their building's performance.

LEED promotes a whole-building approach to sustainability by recognizing performance in five key areas of human and environmental health.

1. Sustainable site development
2. Water savings
3. Energy efficiency
4. Materials selection
5. Indoor environmental quality

For new construction and rehabilitation projects to receive scoring points, they must incorporate at least **six** of the green construction criteria outlined below. For additional information, please visit <http://www.usgbc.org/>.

1. Locate project within ¼ mile of one or more stops for two or more public or campus bus lines useable by building occupants.
2. Prohibit smoking in the building and locate any designated smoking areas at least 25 feet away from entries, outdoor intakes, and windows.
3. All adhesives, sealants, and primers used on the interior of all buildings and applied on site must comply with South Coast Air Quality Management District Rule #1168. Acceptable VOC limits are listed in the table provided at the following Web site, <http://www.arb.ca.gov/DRDB/SC/CURHTML/R1168.PDF>.
4. Use of 50 percent wood-based materials and products certified in accordance with the Forest Stewardship Council's Principles and Criteria for wood building components.
5. Place a minimum of 50 percent of parking spaces under cover.
6. Provide vegetated open space area equal to either:
 - a. 20 percent of the project site area.
 - b. Equal to the building foot print.Vegetated open space is defined as lawns, gardens, plant beds, fish ponds with plants, shrubs, or trees.
7. Provide an easily-accessible area that serves the entire project and is dedicated to the collection and storage of non-hazardous materials for recycling, including (at a minimum) paper, corrugated cardboard, glass, plastics, and metals. The property is responsible for ensuring the proper disposal and removal of the recyclables.
8. Install compact florescent light bulbs throughout the project.
9. Utilize rapidly renewable floor materials such as bamboo, linoleum, cork, or eucalyptus to cover a minimum of 25 percent of the floor area of each unit. *Note: Linoleum is not vinyl.*

10. Provide covered storage facilities and racks for securing bicycles for 15 percent or more of building occupants.
11. Install a vegetated roof for at least 50 percent of the roof area.
12. Install programmable thermostats throughout project. *Note: If a heat pump is installed in the units, a programmable thermostat specifically designed for heat pump systems must be utilized.*
13. Develop and implement a construction waste management plan that recycles or salvages at least 50 percent of non-hazardous construction and demolition debris.
14. Install tankless water heaters in each unit. *Note: Proper installation requires that the heating unit satisfy demand capacity and the manufacturer's energy requirements be strictly followed.*
15. Use recycled, salvaged, refurbished, or reused materials so the sum of the materials is at least 10 percent of the total value of materials on the project.
16. Use building materials extracted, harvested, recovered, or manufactured within 500 miles of the project site for a minimum of 10 percent of the total material costs.
17. Use only carpeting meeting the product testing requirements of the Carpet and Rug Institute's Green Label Plus program throughout the project. More information is available at www.carpet-rug.org/commercial-customers/green-building-and-the-environment/green-label-plus/index.cfm.
18. The average flow rate for all lavatoryfaucets must be ≤ 2.0 gpm.
19. The average flow rate for all showers must be ≤ 2.0 gpm.
20. The average flow rate for all toilets must be ≤ 1.3 gpf.
21. Toilets must be dual-flush and meet the requirements of ASME A112.19.14.
22. Toilets must meet the U.S. EPA WaterSense specification and be certified and labeled accordingly.
23. All domestic hot water piping shall have R-4 insulation. Insulation must be properly installed on all piping elbows to adequately insulate the 90-degree bend.
24. Central hot water manifold trunk no more than 6 feet, insulated to R-4, with no branch line exceeding 20 feet.
25. Compact hot water supply line design with no run over 20 feet from water heater.
26. Prior to construction, create detailed framing plans or scopes of work and accompanying architectural details for use on the job site. Indicate the specific locations, spacing, and sizes of all framing members in the floors, walls, roof, and ceiling (if different from the roof).
27. Prior to construction, create a detailed cut list in lumber order that corresponds directly to the framing plans and/or scopes of work.

Note: The developer must clearly identify Green Building Techniques in the plans and specifications and/or work write-up. For application review purposes, KHC has provided a checklist to be completed for application submission. The [Green Construction Checklist](#) is available on KHC's Web site, www.kyhousing.org, under Housing Production; Multifamily Finance; [Application, Guidelines, and Underwriting Models](#).

A3-3 ENERGY STAR Checklist

To receive scoring points, new construction and rehabilitation projects must incorporate at least **two** of the ENERGY STAR choices detailed below. Projects earning ENERGY STAR points must include products meeting guidelines for energy efficiency set by the U.S. Environmental Protection Agency. ENERGY STAR qualified products include high performance windows, efficient heating and cooling equipment, and ENERGY STAR-qualified lighting and appliances.

Through ENERGY STAR, builders and other home industry professionals can differentiate themselves in the market. New projects qualifying as ENERGY STAR provide greater comfort and durability for tenants. In addition, ENERGY STAR-qualified projects help protect the environment by reducing the greenhouse gas emissions associated with global warming. Additional information on ENERGY STAR guidelines is available at www.energystar.gov.

Utilization of the following combination of ENERGY STAR-rated products and energy-efficiency technologies during construction helps to determine if a project is considered in compliance with KHC's ENERGY STAR requirements. For new construction and rehabilitation projects to receive scoring points, **two** of the following five choices must be utilized in each unit and incorporated into the specifications and/or work write-up for review as well.

1. Inclusion of ENERGY STAR-rated heating and cooling products. Homes equipped with heat pumps and programmable thermostats are required to use "adaptive recovery" technology in order to prevent excessive use of electric back-up heating.
2. All windows are ENERGY STAR rated.
3. The unit includes three or more of the following ENERGY STAR qualified appliances: clothes washer, dishwasher, refrigerator, freezer, or range hood. Projects with on-site laundry facilities can obtain points for providing ENERGY STAR washers and dryers.
4. All ENERGY STAR-qualified ceiling fans, light fixtures, and ventilation fans. Exception: incidental fixtures, such as a service area (crawl space, attics, mechanical rooms, and medicine cabinets.)
5. All water heaters are ENERGY STAR rated.

For projects that **exceed** the ENERGY STAR design requirements, applicants must choose 4 of the 5 options to receive the maximum score in this category.

Manufacturer's specifications are required for all ENERGY STAR appliances, fixtures, fans, thermostat devices, windows, or water heaters selected in order to qualify for scoring in this category. Manufacturer's specifications must be uploaded as an attachment to the ENERGY STAR checklist or provided on a disc or flash drive.

Note: The applicant must clearly identify ENERGY STAR products in the plans and specifications and/or work write-up. For application review purposes, KHC has provided a checklist to be completed for application submission. The [ENERGY STAR Checklist](#) is available on KHC's Web site, www.kyhousing.org, under Housing Production; Multifamily Finance; [Application, Guidelines, and Underwriting Models](#).

A3-4 Preliminary Plans (submit electronically)

Plans must be uploaded as one single PDF document. If the applicant is unable to upload the plans due to file size exceeding 10 megabytes, the plans may be submitted on a disc or flash drive as one single PDF document.

Applications of 11 units or less: For new construction or rehabilitation, projects are required to submit building plans at 1/8-inch scale and typical unit plans at 1/4-inch scale. The plans must include building floor plans, elevations, and site plan.

Applications of 12 units or more: For new construction or rehabilitation, projects are required to submit building plans at 1/8-inch scale and typical unit plans at 1/4-inch scale. The plans must include a site plan and a building floor plan, as well as corresponding elevation drawings compiled by an architect licensed in the Commonwealth of Kentucky.

Applications for scattered site projects: Site plans must be submitted for at least 35 percent of the sites and **complete** preliminary plans must be submitted for **each applicable unit type**.

Example: If the project consists of 20 units, comprised of 5 one-bedroom units; 10 two-bedroom units; and 5 three-bedroom units, complete preliminary plans must be submitted for a one-bedroom unit, a two-bedroom unit, and a three-bedroom unit.

Minimum Plan Requirements

Building Floor Plan

- Drawings should be at 1/8" or 1/4" scale depending upon development type.
- Provide overall exterior building dimensions and show the different unit types that exist in each building.
- Show all adjacent walks, stoops, and/or patios.
- Show location of all party and firewalls.
- Wall thickness, exterior finishes, doors, windows, cabinets, plumbing fixtures, closets, etc.
- Complete dimension of each typical unit so room sizes can be determined.

Wall Detail

- Foundation-to-roof wall detail showing [REScheck](#) values must be included in preliminary plans to be considered for points in the energy efficiency category.

Elevations

The elevations, at a minimum, must show all four sides of the building(s) and include the following:

- Exterior wall finishes.
- Window and door openings.
- Roof material and slope of roofs.
- Eave, rake, and fascia conditions to include gutters and downspouts.

*Photographs clearly showing elevations for all sides of the buildings may be submitted in lieu of elevation drawings with the application. **The minimum acceptable photograph size is 5-inch by 7-inch.** However, elevation drawings **will** be required during the Technical Submission Stage.*

Universal Design

Universal design is required for all projects that receive KHC financing equal to 50 percent or more of the total project cost and all Housing Credit projects, for the **purpose of constructing or reconstructing single-family or multifamily housing**, with the exception of rehabilitation projects.

Universal design is a building concept that incorporates products, general design layouts, and characteristics into residences in order to:

- Make the residence usable by the greatest number of people.
- Respond to the changing needs of the resident.
- Improve marketability of the residence.

The goal of universal design is to build housing that meets the needs of the greatest portion of a community's population. It differs from accessible design, which is primarily intended to meet the needs of persons with disabilities. It is, however, inclusive of adaptable design as it strives to incorporate structural features that will allow a residence to be adapted to an individual's needs. The most current version of the Universal Design Requirements can be found on KHC's Web site, www.kyhousing.org, under Housing Production, [Design and Construction](#).

Minimum Design Standards

Minimum Design Standards apply to new construction and reconstruction of all multifamily homes constructed with any funding resource(s) from KHC, including Housing Credits.

The standards become effective when funding from KHC is 10 percent or more of the cost per unit based on total development cost.

Note: KHC's [Minimum Design Standards](#) are to be used as a guideline to meet and exceed all local, state, and national codes. These standards also provide a way to enforce above average construction and design for builders, contractors, and design professionals who wish to utilize funding from KHC. Other methods of construction and design may be acceptable on a case-by-case basis. If you feel your design meets or exceeds KHC's Minimum Design Standards, please contact the Department of Design and Construction Review for further assistance. A copy of KHC's [Minimum Design Standards](#) can be found on KHC's Web page, www.kyhousing.org, under Housing Production, [Design and Construction](#).

Energy Efficient Methods

(Required on all project types)

- If a project is **not** required to meet Minimum Design Standards, the architect or developer must provide a letter explaining how the design of the development will provide the most efficient insulation and heating system.
- If a project **is** required to meet Minimum Design Standards, the applicant may choose to submit a [REScheck](#) calculation (a free download from the U.S. Department of Energy) indicating the proposed design exceeds the Kentucky Energy code by 20 percent.

- The applicant may elect to use one of the two methods provided in the Minimum Design Guidelines located on KHC's Web site, www.kyhousing.org, under Housing Production, [Design and Construction](#).
- Demonstrate a home HERS energy rating of 70 or less from a qualified HERS rater at both plan submission and construction completion.

Federal and State Accessibility Requirements - Section 504

New Construction-Housing Facilities: If a development is requesting HOME, Risk-Sharing, or Project-Based Section 8 (when available), and has **five or more units** under one contract/deed, then 5 percent of the total units or more **must** be accessible to persons with mobility impairments **and** 2 percent of the units (minimum of one unit) **must** be accessible to persons with visual and/or hearing impairments. **Note:** These accessible units must comply with [Uniform Federal Accessibility Standards](#). See 8.22, 24 CFR Chapter 8.

Alterations of Existing Housing Facilities: If a development containing **15 or more units** and requesting HOME, Project-Based Section 8, or Risk-Sharing, and the cost of the alterations is 75 percent or more of the replacement cost of the completed facility, then 5 percent of the total units or one unit must be accessible to persons with mobility impairments **and** 2 percent of the units or one unit must be accessible to persons with visual or hearing impairments.

Fair Housing Design Requirements

Applies to new construction and all rehabilitation units occupied after March 13, 1991. Developments shall comply with all requirements of the Fair Housing Accessibility Requirements of the Fair Housing Act. For more information about Fair Housing Accessibility, visit the Fair Housing First Web site at www.fairhousingfirst.org.

Kentucky Building Code

Any application submitted for new construction, substantial rehabilitation/alterations to existing structures, or change in occupancy shall meet all applicable accessibility requirements of the Kentucky Building Codes.

A3-5 Work Write-Up Description

(Required for all rehabilitation projects)

Projects of 12 or more units: Submit a detailed description of each type of repair, change to existing structures, and construction for each room in every unit of rehabilitated structures. If the development includes rehabilitation, consists of 12 units or more, **and** requests Housing Credits and/or \$250,000 or more of funding from KHC, a PCNA will be required in addition to the work write-up. The work write-up can be incorporated in the PCNA or the scope of work description in the specifications; however, the following information must be included.

Projects of 11 units or less: Projects that are 11 units or less can submit a work write-up in lieu of specifications, providing the work write-up is detailed and provides enough basic information to determine the quality and quantity of items that are specified. It should define the scope of work and provide a basis for what type of material or product that is to be used.

Minimum Work Write-up Information

The work write-up must provide lists for:

- New items and materials to be installed in each room of every unit during construction.
- Items to remain, describing any repairs or renovation work to be performed in each room of every unit.
- Items to be salvaged from each room of every unit for re-use in the project.
- Items to be removed and disposed of from each room of every unit and the method of disposition.
- All exterior work to be performed and materials to be used on each building.
- All exterior work to be performed and materials to be used in all outdoor common areas.

If there is commercial space involved, all costs associated with its rehabilitation should be broken out separately. Any work required for both commercial and rental shall be prorated on a square-foot basis. For example, if a new roof is installed on a three-story building, where the first floor is commercial and the second and third floors are rental, and all three floors have the same square footage, then 1/3 of the cost for the roof should be attributed to the commercial space. If the square footage were different, it should be done on a percentage of the total amount.

A3-6 Preliminary Outline Specifications

(Required for all projects)

All outline specifications shall be written following the standard Construction Specifications Institute current master format. Outline specifications shall specify products by model number and manufactures for the sole purpose to use as a guide for the contractor. It should never be the intent of the specification to limit the contractor to one or two manufacturers.

All documents that pertain to the contract for construction shall be included, if applicable. The specifications should include the following **23 divisions**:

Division 01- General Requirements	Division 13- Special Construction
Division 02- Existing Conditions	Division 14- Conveying Equipment
Division 03- Concrete	Division 21- Fire Suppression
Division 04- Masonry	Division 22- Plumbing
Division 05- Metals	Division 23- HVAC
Division 06- Carpentry	Division 26- Electrical
Division 07- Thermal and Moisture Protection	Division 27- Communications
Division 08- Door and Windows	Division 28- Electronic Safety and Security
Division 09- Finishes	Division 31- Earthwork
Division 10- Specialties	Division 32- Exterior Improvements
Division 11- Equipment	Division 33- Utilities
Division 12- Furnishings	

The outline specifications must provide enough basic information to determine the quality and quantity of items that are specified. It must define the scope of work and provide a basis for what type of material or product that is to be used.

A3-7 Site Plan

(Required for all projects types)

- Preferred scale: 1 inch equals 20 feet. Can be no smaller than 1 inch equals 40 feet. Property lines with metes and bounds.
- Buildings should be drawn on the site plan regardless of new construction or rehabilitation. Any other remaining structures should also be indicated on the site plan.
- All exterior items, such as parking, street walks, curbs, dumpster pads with enclosures, playgrounds, community rooms, and fences should be noted on the site plan.
- All dimensions, setbacks, easements, and rights-of-way should be shown on the site plan, with an indicator for North.
- A site detail must be shown on the plan or on a separate site detail sheet. Details should describe the type of walks, curbs, handicapped parking, etc.

A3-8 Floodplain Map

(Required for all project types)

One of the following must be submitted to demonstrate that the project is not in the floodplain.

- A Federal Emergency Management Agency (FEMA) map showing that the project is not located in the 100-year floodplain and its location clearly marked on the map.
- Flood Determination certificate indicating that project site is not in the 100-year floodplain. The certificate must be from a Flood Zone Determination Company listed by FEMA at <http://www.fema.gov/business/nfip/fzone1.shtm>.
- A signed, stamped, and dated letter from a licensed surveyor stating the project site is not located within a floodplain. Projects in which any portion of a property is located in the floodplain on a FEMA map must submit a signed, stamped, and dated survey showing the location of floodplain and all existing building structures.

Information provided from a local jurisdiction database will not be accepted.

If the property was previously in the floodplain, however, it was built up and is no longer in the floodplain, a licensed surveyor's report of reclassification and a FEMA Letter of Map Alteration must be attached. The report should clearly state that all land to be utilized for the project has been raised at least one foot or more above the floodplain.

A3-9 Physical/Capital Needs Assessment (PCNA)

(Required for all rehabilitation projects)

A PCNA is a written report performed by a qualified inspector for the purpose of rehabilitation of an existing structure into housing units. The assessment defines the necessary repairs required to provide safe, quality, and affordable housing. PCNAs are valid for a term of one year. In excess of that time, KHC requires a signed and dated written certification from the licensed professional who compiled the original document attesting to its current accuracy and applicability.

All rehabilitation projects consisting of **12 or more** units **and** total KHC funding of \$250,000 or more will be required to submit a PCNA as an attachment to the application. **All applications requesting Housing Credit for rehabilitation and adaptive reuse will be required to submit a PCNA, regardless of project size.** Applicants are responsible for all associated fees.

***Note:** For projects funded by KHC and utilizing an RD loan, KHC will forward a copy of the PCNA to RD upon KHC's funding announcement for RD to begin its review process.*

A complete and thorough inspection shall be conducted to all existing structural components, appliances, mechanical, and electrical systems to determine the life expectancy, needed repairs, and/or replacement. The needs assessment inspector and appraiser shall work closely together to ensure consistency concerning areas of square footage, number of buildings, and bedrooms.

Physical/Capital Needs Inspector Qualifications

- All inspectors and/or firms must be insured as directed by KHC.
- Inspectors must be experienced and possess sufficient background inspecting multifamily residential housing.
- Inspectors shall be licensed architects and/or engineers qualified to complete the assessment. The inspector may also consult with structural, mechanical, or electrical engineers to provide expert opinions as to the existing condition of a particular item. Outside consultants employed shall also meet all the requirements as set forth for an inspector including insurance.

Physical/Capital Needs Report Requirements

(These specific items must be addressed in each report)

- The report shall describe, in detail, all rehabilitation work required including all respective related additional work. Separate estimates for both must be provided.
- A minimum of 25 percent of all units and at least one of each type must be inspected prior to preparation of the report.
- A cost estimate of all the repairs and/or replacements must be included.
- All write-ups should indicate the items and areas in need of immediate repair. A separate analysis should be completed on all components that will need repair or replacement within the next five years.
- Provide a report on all existing conditions or items in violation of applicable building codes or ordinances. Corrective measures required to bring all items into compliance must be thoroughly detailed.
- Any visible evidence of hazardous substances, including but not limited to: asbestos containing material, lead-based paint, petroleum bulk storage, polychlorinated biphenyls, and chlorofluorocarbons, must be noted.
- Cost estimates for any items requiring action due to market demand. These will be provided to the inspector by the appraiser or KHC.
- Deferred maintenance not performed on a normal operating basis, including estimates of corrective costs.
- Any repairs needed to nonresidential buildings such as community buildings, management offices, garages, etc.

- Inspectors shall propose a total price to the applicant that will include all costs, including but not limited to: travel, clerical, inspection services, attending meetings at KHC (if applicable), etc.
- In preparing the report, the inspector may choose to utilize the Inspection Form HUD-52580-A. While not required, additional information may also need to be recorded on separate sheets and attached.
- Any corrections required by KHC must be addressed in the report.

All reports must be prepared in compliance with all applicable federal and state laws and regulations, including all applicable HUD policies, procedures, and directives. KHC requires a 20-year term PCNA for all projects. KHC will also require a subsequent PCNA in year 15 and require the project to adjust the capital reserve replacement schedule accordingly for all projects obtaining KHC Risk-Sharing, HOME, or AHTF gap financing from KHC.

Adaptive reuse projects in which a complete interior demolition is proposed need only provide a physical/capital needs assessment, which addresses electrical and mechanical systems, building exterior, foundation, window, roof and all remaining structural components.

A3-10 Photographs (color or color copies) of existing rental structure(s)

Provide photographs of any existing rental or other structures on the project site, if applicable. Photos must be in color or color copies. Black and white copies are not acceptable.

A3-11 HERS (Home Energy Rating System) rater contact information (if using HERS)

(Required for projects using the optional HERS rating system)

The HERS rater's name, company, address, phone number, and e-mail address must be provided.

A3-12 Proof of HERS rater certification (if using HERS)

(Required for projects using the optional HERS rating system)

The Home Energy Rating System (HERS) option is now offered as an alternative to qualify for full points under the ENERGY STAR category. Fulfilling either the ENERGY STAR or HERS requirements is required for points to be awarded.

In selecting the HERS option, applicants must demonstrate a home energy rating **equal to or lower than 70** based on the scoring system established by the Residential Energy Services Network, which involves an analysis of a structure's construction plans and subsequent onsite inspections. Based on the final plans, the HERS rater uses an energy efficiency software package to perform an energy analysis of the home's design. This analysis yields a preliminary pre-construction HERS Index. **A copy of the HERS rater certification demonstrating a home energy rating of 70 or less must be provided.**

A3-13 HERS Applicant Compliance Certification

(Required for projects using the optional HERS rating system)

The applicant and architect must certify their intent to comply with all requirements necessary to achieve a qualifying HERS program final score. The [form](#) is available on KHC's Web site, www.kyhousing.org, under Housing Production; Multifamily Finance; [Application, Guidelines, and Underwriting Models](#).

A3-14 Proper Zoning

(Required for all project types)

The applicant must submit evidence that the proposed site is properly zoned for the proposed intended use. The following documents are required.

- A letter from the local zoning board or governing authority. The letter should indicate the type of zoning that is in place.
 - If the site is not properly zoned for its intended use, but a zoning change is imminent, the applicant must submit a letter from the local zoning board or mayor stating the zoning change has already been through the necessary process and approval is imminent. The letter must also indicate when the final approval for the zoning change will be issued. All zoning changes must be approved and in place by the technical submission due date.
 - In the event the county does not have zoning, a letter from the county judge or mayor must indicate that there is no zoning present in the community.
- All zoning requirements and/or restrictions that affect the design or building location.
- A local zoning map that shows the classification of the proposed site and neighboring sites. **The site location must be clearly indicated on the map.**

A3-15 Evidence of Site Control

(Required for all project types)

Documents submitted for evidence of site control must be fully executed and sufficiently identify the subject property. Real property conveyances must be recorded with the appropriate clerk, and leasehold estates must meet IRS requirements and exceed KHC's affordability and mortgage periods. Acceptable forms of site control are:

- Property Deed
- Current Purchase Contract (**The contract cannot contain seller's right of first refusal language.** If the contract expires prior to closing, then proof must be provided evidencing the means to purchase the property prior to closing.)
- Current Option to Purchase (**The option cannot contain seller's right of first refusal language. It must be extended through announcement period and contain a clause for renewal.** If no renewal clause, then proof must be provided evidencing the means to purchase the property prior to closing.)
- Current Lease Agreement/Option to Lease (the lease period must be through entire affordability period.)

Note: For federally-funded projects (HOME and Risk-Sharing), the new owner may not take legal possession of the property until after environmental clearance has been achieved, unless the deed transfer or lease was executed prior to submission of the application to KHC for funding.

For scattered site projects with six or more buildings where 50 percent or more of the sites are non-contiguous, proof of site control must be provided for 35 percent or more of the total sites.

KHC will evaluate the legal interest directly owned or controlled by the applicant at the time of application. An applicant capable of causing possession and control to vest in their favor for the duration of the mortgage and affordability periods will be deemed to have site control. KHC reserves discretion to make the aforementioned determination.

A3-16 Deed Restrictions/Subdivision Restrictions

Provide a copy of any deed restrictions or subdivision restrictions currently on the subject property **or** a letter stating there are no deed restrictions. The letter must reference the project name and location and must be from the current owner, city/county official, or attorney.

A3-17 REScheck Documentation (new construction projects only)

If a project is not required to meet Minimum Design Standards, then the architect or developer must provide a letter that explains how the design of the development will provide the most efficient insulation and heating system.

If a project is required to meet Minimum Design Standards, then the applicant may choose to submit a [REScheck calculation](#)—a free download from the U.S. Department of Energy—indicating the proposed design exceeds the Kentucky Energy code by 20 percent or the applicant may elect to use one of the two methods provided in the Minimum Design Guidelines on KHC's Web site, www.kyhousing.org, under Housing Production, [Design and Construction](#).

A4-1 Underwriting Model

(Required on all projects)

KHC's underwriting model must be completed in Excel using the most current version for that year's funding round. The underwriting model can be found on KHC's Web site under Housing Production; Multifamily Finance; [Applications, Guidelines and Underwriting Models](#). The yellow input cells of the model are the only areas in which the applicant may enter information. **Please do not add formulas to any of the input cells as this may interfere with KHC's underwriting of the project.** If an additional formula becomes necessary, please contact KHC so a staff member may add it for you. The completed underwriting model must be uploaded with the electronic application and must be included on disc or flash drive. Please do not send scanned PDFs of the underwriting model. **Applicants are strongly encouraged to use the "Applicant Underwriting Notes to KHC" section** on the summary sheet of the underwriting model to provide any necessary explanations or to provide additional information that will be helpful during the underwriting review.

A4-2 Novogradac Rent and Income Calculator

(Required on all Housing Credit projects; optional for non-Credit projects)

To verify rents proposed in the underwriting model and to determine if they are within the applicable limits, print out the completed Rent and Income Calculator on the Novogradac Web site at <http://www.novoco.com/products/rentincome.php>.

A4-3 Utility Allowance Chart

For projects proposing full or partial tenant-paid utilities, a utility allowance chart from KHC or the local PHA (in counties where KHC does not administer the Section 8 program) must be submitted with the application. KHC's utility charts are online under Housing Production, Multifamily Finance, [Reference Materials](#). For Project-Based Section 8 or RD-assisted properties, the current utility allowance must be provided from KHC, HUD, local PHA, or RD as applicable (the agency providing the rental assistance). **Historical utility usage data or base rate letters from the utility providers are not acceptable.**

A4-4 Firm Commitments for All Non-KHC Resources

Applicants proposing other sources of construction or permanent financing (non-KHC funds) must submit a commitment letter from **all** outside funding source(s) identified in the KHC application and underwriting model, with the exception of deferred developer fee. The letter(s) must be specific as to the terms of the funding and must be on the funding source's letterhead, dated, and signed by an authorized representative of the entity providing the funds. All commitment letters must be dated within three months of the application submission date and identify the project name.

Exceptions for firm commitment letters may be made for funds proposed from Federal Home Loan Bank or other governmental resources, such as Community Development Block Grant (CDBG), HOME, or funds provided by local or state jurisdictions, provided a copy of the application for these funds is submitted with the KHC application. However, firm commitments for such resources must be provided no later than December 1, 2013, if the applicant wishes to receive points in scoring for having firm commitments of these resources. Applicants providing written guarantees for unsecured funding sources as described above and include supporting documentation to evidence their financial ability to make such guarantees in the amount of the unsecured funding will also be eligible to receive scoring points for firm commitments.

Equity commitments must contain the specific terms for the purchase of credit (credit pricing, amount of annual credit anticipated, total equity investment, pay-in schedule, identify the amounts of required fees, and required reserve account amounts, etc.). The commitment must be on the equity provider's letterhead, identify the project name, and be dated and signed. If the project is utilizing a KHC bridge loan, the equity commitment must recognize the bridge loan and state the benefit of the delayed equity pay-in to the pricing structure and total equity investment.

Non-KHC funds that require a commitment letter may include private bank loans, developer/owner contributions, donations of cash, materials and land, Federal Home Loan Bank, HUD HOPE VI, HOME, or CDBG funds from a local government. Loan commitments must list the rate (actual and effective rate, if applicable), amortization term, and amount of the loan, as well as the expiration of the commitment, if applicable. Grant commitments must list the grant amount and expiration, if applicable. Commitment letters may contain standard due diligence and verification requirements of the lender.

Note: Any contributions to the project by any member of the development team must be in writing, guaranteed by the contributor, and cannot be reduced after the conditional commitment of KHC resources have been awarded.

A4-5 Guarantor's Evidence

KHC will accept evidence of an application for non-KHC resources along with a written guarantee from the owner/developer that if they are not awarded the funds for which they have applied, the owner/developer will contribute the same amount to the project. A bank statement will be required if a guarantor provides a guaranty for an non-KHC funding that is has applied for, but has not received, at the time of application. The bank statement must demonstrate sufficient liquidity to cover the guaranty of the full amount of funds for which the guarantor does not have a firm commitment.

A4-6 Market Study / Needs Analysis

KHC maintains an [Approved Market Analyst List](#) from which developers may select an appropriate firm or individual. This list will be valid for at least one year. KHC updated the list for 2013 through a Request for Qualification (RFQ). KHC announces the RFQ for market analysts in an eGram, as well as on KHC's Web site, www.kyhousing.org. However, KHC reserves the right to remove individuals/ firms from this list for any reason.

Market analysts submitting a report that materially fails to comply with KHC's requirements or is otherwise unacceptable may, at the sole discretion of KHC, be removed from the list. If reports are received that are not acceptable, the applicant/developer will be informed by KHC such report is unacceptable.

Applicants/developers will enter into a contract for services directly with the market analyst and, with the exception of questions about KHC standards and/or requirements, the applicant/developer shall be responsible for handling all issues related to the market analysis.

Applicants/developers contracting with market analysts for the benefit of KHC shall be responsible for negotiating the price of the contracted work. Although the applicant/developer is responsible for engaging the market analyst, the report shall identify KHC as the intended user to provide KHC a basis for investment and loan underwriting decisions.

The needs analysis/market study will be reviewed to determine if a need exists in the proposed market area for the number of units and the unit configuration. This need must exist without adversely affecting other affordable housing in the same market area. A market study is required for all projects; however, projects of four units or less may choose to submit a market needs analysis instead of a full market study. **A rent comparison study must be included in all market studies/analyses in order to determine the market rents, regardless of the project size.** KHC reserves the right to request a market study or additional market information on **any project** or to waive the market analysis requirement for projects of four units or less if other supporting documentation, such as a waiting list, can be provided.

The capture rate will be one method of determining this need, but will not be the only factor. Overall vacancy rates in the area will be considered, as well as the rent level being proposed and how it compares to market-achievable rents. The overall recommendation of the market analyst will also be considered. Typically, a capture rate of 30 percent or below is acceptable. If the capture rate is higher, there may be compensating factors that would make the project acceptable. These determinations will be made on a case-by-case basis.

A market study/needs analysis is only valid for one year from the date of the study/analysis.

A4-7 Part 1. Evaluation of National Register Status

(For projects proposing federal or state historic rehabilitation credit only)

Provide a copy of Part 1 of the preliminary application "[Evaluation of National Register Status](#)" as evidence of submission to the [State Historic Preservation Office \(SHPO\)](#).

A4-8 Commitment Letter for Project-Based Rental Assistance

Projects proposing Project-Based Section 8, RD, or other Project-Based Rental Assistance must provide a copy of the current rental assistance contract or agreement. The contract or agreement may not be expired and must be currently in effect.

Projects with Project-Based Rental Assistance combined with other federal funding sources are required by HUD to complete a Subsidy Layering Review (SLR). The public housing authority (PHA) that provides the Section 8 assistance must complete the SLR; however, if a local PHA wishes to have KHC complete the SLR, the PHA must submit a formal request to KHC in writing, along with additional documentation as required by HUD.

A4-9 Current Approved Rent Schedule

(For rehabilitation projects with Project-Based Section 8, RD, or other rental assistance)

Rehabilitation projects currently receiving any type of Project-Based Rental Assistance must provide the current approved rent schedule. The schedule must clearly identify the effective dates of the rents, as well as the agency providing the rental assistance. If the rents listed on the underwriting model are different from those in the rent schedule, an explanation and justification for the inconsistency must be provided on the summary page of the underwriting model.

A4-10 Commitment Letter(s) for Operating Subsidies

Commitment letter(s) or agreements for operating subsidies must be currently in effect and provide assurance of continuation through the applicable affordability or deed restriction period. If operating subsidies are temporary or subject to renewal, applicant must explain how operations will be funded if the subsidy is not renewed.

A5-1 Guideform Notice Disclosure to Seller

(Required for all HOME and Risk-Sharing projects)

A [Guideform Notice Disclosure to Seller](#) with Voluntary, Arm's Length Purchase Offer must be given to all sellers disclosing that the purchase offer is voluntary and an arm's length transaction, in addition to disclosing the estimated fair market value of the property and that the purchaser does not have the power of eminent domain. The notice is available on KHC's Web site, www.kyhousing.org, under Housing Production, Multifamily Finance, [Applications, Guidelines, and Underwriting Models](#).

A5-2 Guideform General Information Notice

(Required for all HOME and Risk-Sharing rehabilitation projects with current tenants)

This notice is required to be given to all current tenants advising them of the impending federally-assisted rehabilitation of their unit and of their rights under the Uniform Relocation Act. Tenants who move in to the property after submission of the HOME or Risk-Sharing application must be provided with the Move-In Notice.

A6-1 Other Items

A6-2 Other Items

A6-3 Other Items

CHAPTER 2: Deadlines and Fees

All projects selected for funding will receive a preliminary award letter and will be held to certain deadlines as outlined below. If the deadlines are not met, the applicant will incur penalties or lose the funding associated with the project.

Preliminary Award Letter

KHC will send each successful applicant a preliminary award letter indicating the initial reservation of Housing Credits and other KHC resources awarded. In determining the initial amount of credit and/or other KHC resources to be reserved, KHC will use costs, incomes, and expenses submitted in the underwriting model, as determined by KHC to be reasonable. **The final amount of credit or other resources allocated to each successful applicant may be less than, but may not be more than, the amount requested in the application, the amount specified in the preliminary award letter, or the amount reflected in a Housing Credit carryover allocation.**

Deadlines and Fees

All fees outlined below are non-refundable, whether in whole or in part.

Housing Credit Reservation Fee

A reservation fee of 8 percent of the amount of Housing Credit reserved for a project will be charged and is due to KHC within two weeks from the date of the preliminary award of funding. Failure to pay the reservation fee within this time frame will result in the Housing Credit award being recaptured.

Risk-Sharing Application Fee

An application fee of \$3,000 for each Risk-Sharing project is due to KHC within two weeks from the date of the preliminary award of funding. This fee is in addition to the standard application fees outlined on page 18 and must be submitted as a separate check from the Housing Credit reservation fee. Refer to [Chapter 7](#) for additional fees relative to Risk-Sharing transactions.

Pre-Commitment Documentation

(Not applicable to projects requesting Housing Credits only)

If KHC is providing loan funds to the project, certain pre-commitment documentation, as outlined below, will be requested in the preliminary award letter. All requested documentation must be received **within two weeks** of the date of the letter. The award may be withdrawn if the documentation is not received within this time frame. **This is not an all-inclusive list of items; your assigned program specialist may request additional information.**

1. Preliminary title commitment
2. Preliminary survey, if available
3. Organizational documents (if not already submitted with application)

Unless the organizational documents for the ownership entity were provided with the application, they must be submitted at the pre-commitment stage. If the ownership entity has not yet been formed, please provide these documents for the applicant entity. These documents will be used to verify the person authorized to sign the loan commitment on behalf of the organization. If the organizational documents do not provide this information or if the authorized signer is someone other than the person designated in the

documents, a resolution stating the authorized signatory must be provided.

For Kentucky and foreign organizations (corporations, LLCs, partnerships):

(Choose as applicable, include any amendments to these documents)

- Articles of Incorporation
- Partnership Agreement
- Articles of Organization
- Bylaws
- Certificate of Partnership
- Operating Agreement
- Certificate of Authority to do business in Kentucky (foreign organizations only)

Technical Submission

Technical submission items for all 2014 projects will be due on May 1, 2014.

The applicant will receive a technical submission checklist outlining all required submission items. Projects may request up to three, 30-day extensions, but no more than three extensions will be granted. An extension fee of \$500 per extension must be paid prior to the expiration of the deadline. For projects only receiving HOME funding (no other KHC resources), an extension fee will be not charged. However, each extension provided may be considered for future funding capacity reviews. Extension fees must be paid prior to the expiration of the deadline. Please note: Firm commitments as noted in [Chapter 3, Technical Submission](#), item 2-1, must be submitted by the original May 1, 2014, technical submission deadline, and no extensions will be granted for submission of firm commitments for non-KHC resources.

An environmental review is required on all projects receiving KHC HOME or Risk-Sharing funds. KHC will use the required documents as outlined in the technical submission checklist to determine a project's impact on the environment. Once the application has been submitted, you cannot purchase the property, start any part of the construction or disturb the soil in any way until the environmental review is complete and an environmental clearance has been issued.

Project Closing

Applicants have until **September 1, 2014**, to submit all pre-construction and pre-closing documents to KHC and to close on all KHC and non-KHC loans and Housing Credit equity. The applicant will receive a pre-construction/pre-closing checklist that will outline all outstanding or additional documentation needed.

A request for an extension may be made and, if KHC approves, the closing deadline may be extended an additional 45 days. The extension fee shall be payable to KHC on or before the expiration of the current closing deadline. **Please note, each extension provided may be considered for future funding capacity reviews.**

The extension fee for non-credit projects is \$1,000 per extension. For projects only receiving HOME funding (no other KHC resources), an extension fee will not be charged due to HOME regulations.

The extension fee for Housing Credit projects is 1 percent of the preliminary credit award. KHC will increase the extension fee by ½ percent for each additional extension request.

Changes to Project Design

If a project owner finds it necessary to change the project design during development (i.e., site plan or location, pledged amenities, revisions to scope of work or materials, number of affordable units, etc.), KHC must be notified in writing and request approval prior to making any changes. This includes the substitution of one pledged amenity for another. For such changes in Housing Credit projects, KHC will charge \$750 for each change request. There will be no fee for non-Housing Credit projects; however, KHC still requires written notification of such changes.

CHAPTER 3: Technical Submission Stage and Requirements

Once an applicant receives a preliminary award letter from KHC, the application will then enter the technical submission stage. KHC staff will work with applicants during this stage in an effort to ensure all guidelines and requirements are met. Additional documentation will be required and will be outlined in a letter to the applicant.

Technical Submission Document Requirements

A checklist will be provided to the applicant detailing the due-diligence documentation required during the technical submission stage. All technical submission documentation on the checklist must be uploaded. If a checklist item does not apply, upload or submit a sheet in its place that identifies the required checklist item by name and states that it is not applicable to your project.

If an applicant is new to KHC, your program specialist may request a meeting to provide training and assistance regarding the requirements of technical submission. Additional guidance and forms can be accessed on KHC's Web site, www.kyhousing.org, under Housing Production, Multifamily Finance, [Reference Materials](#).

Below is a description of certain documents that will be required during the technical submission stage. **This is not an all-inclusive list of items; your assigned program specialist may request additional documentation.** Please refer to the technical submission checklist for additional documentation that will be required.

Also, please note, in order to expedite the review process, KHC requests that the State Clearinghouse letter, historic preservation letter, and Phase I/Phase II environmental report (as applicable) be e-mailed to your assigned project specialist as soon as they are available. **All other technical submission items must be uploaded through the online application system as one submission.**

TS1-1 Tenant Selection Plan

(Required on all projects)

The tenant selection plan must be a written policy to ensure new tenants are selected in adherence to the owner's policies and all applicable federal requirements. The plan must describe the criteria that will be used to identify eligible tenants. If the applicant has committed to notifying the local PHA of project vacancies in order to give priority to households on the PHA waiting list, this process and the preference for public housing residents must be identified in the tenant selection plan. Additional guidance can be accessed on KHC's Web site, www.kyhousing.org, under Housing Production, Multifamily Finance, Reference Materials, [Technical Submission](#).

TS1-2 Affirmative Fair Housing Marketing (AFHM) Plan

(Federal funds only, five units or more)

Each applicant is required to carry out an affirmative marketing program to attract prospective tenants of all minority and non-minority groups in the housing market area regardless of their race, color, religion, sex, sexual orientation, national origin, disability, or veteran or familial status. Racial groups include white or Caucasian, black or African-American, American Indian or Alaska Native, Asian, and Native Hawaiian or other Pacific Islander. Other groups in the housing market area who may be subject to housing discrimination include but are not limited to Hispanic or Latino, persons with disabilities, or families with children. The applicant shall describe in the AFHM plan the proposed activities to be carried out during advance marketing, where applicable,

and the initial sales and rent-up period. The affirmative marketing program should also ensure that any group(s) of persons that are the **least likely** to apply for this housing without special outreach, know about the housing, feel welcome to apply, and have the opportunity to rent. The AFHM form can be found on KHC's Web site, www.kyhousing.org, under Housing Production, Multifamily Finance, Reference Materials, Technical Submission Forms, [Affirmative Fair Housing Marketing Plan](#).

TS1-3 Fair Housing Plan

(Federal funds only)

Applicants requesting federal funds must submit a fair housing plan that ensures that all citizens in the service area are aware that affirmatively furthering fair housing is a priority. A sample fair housing plan is located on KHC's Web site, www.kyhousing.org, under Housing Production, Multifamily Finance, [Reference Materials](#).

TS1-4 Title VI Self-Survey and Statement of Assurance

(Federal funds only)

Title VI of the Civil Rights Act of 1964 prohibits discrimination based on race, color, or national origin. Applicants requesting federal funds must submit a [Title VI Self-Survey and Statement of Assurance](#). These forms can be found on KHC's Web site, www.kyhousing.org, under Housing Production, Multifamily Finance, Reference Materials, [Technical Submission Packet](#).

TS1-5 Section 504 Self-Evaluation

(Federal funds only)

Section 504 of the Rehabilitation Act of 1973 prohibits the exclusion from, participation in, denial of the benefits of, or discrimination under any program or activity receiving federal financial assistance of otherwise qualified individuals with disabilities.

A self-evaluation of all aspects of the organization, including all buildings or facilities for physical accessibility, program outreach and communication, eligibility and admission criteria and practice, distribution and occupancy policy and practice, percentage of accessible units, employment (including pre-employment), and complaint processing procedures must be prepared by the recipient in consultation with individuals with disabilities or organizations representing them. It is required all recipients with 15 or more employees keep the evaluation on file for a minimum of three years.

A transition plan is mandatory if structural changes to facilities are needed to achieve program accessibility. The plan must be developed with the assistance of individuals with disabilities or organizations representing them. A copy of the plan must be made available for public inspection. The plan should identify the physical obstacles that limit accessibility, include a detailed description of methods used to make facilities accessible and the schedule for each step of the process. All structural changes must be made within six months of project funding.

Applicants requesting federal funds must submit a Section 504 Self-Evaluation with attachments (and transition plan, if applicable). These forms can be found on KHC's Web site, www.kyhousing.org on the Housing Production page under Multifamily Finance, Reference Materials, [Rental HOME Packet](#). **Please note that a person with disabilities or a representative from an agency that serves persons with disabilities must assist the applicant in completing the Self-Evaluation.**

TS1-6 Drug-Free Workplace Certification

(Required for all projects)

KHC's policy is to promote a drug-free environment for all individuals acquiring housing through the use of KHC funds. Applicants are required to sign the [Drug-Free Workplace Certification](#) form certifying the project will continue to provide a drug-free workplace by publishing a statement notifying employees that the unlawful manufacture, distribution, dispensing, possession, or use of a controlled substance is prohibited in the recipient's workplace and specifying the actions that will be taken against employees for violation of such prohibition. This form can be found on KHC's Web site, www.kyhousing.org, under Housing Production, Multifamily Finance, Reference Materials, [Technical Submission Packet](#).

TS2-1 Firm Commitment Letters for Match and Other Non-KHC Funding Sources

(Required for all projects. Must be submitted by the technical submission deadline, no extensions.)

KHC's HOME and AHTF funds require a 5 percent match of other funds. Any non-KHC financing source may be eligible; KHC funds may not be used as match for other KHC funds. Firm commitment letters for all match and other funding sources identified in the application and underwriting model must be provided. Please refer to [Chapter 8 Financial Requirements](#) for additional information regarding match requirements.

Firm commitment letters for all non-KHC sources must:

- 1) Be specific as to the terms of the funding, including:
 - a. The interest rate and term (if loan proceeds are involved).
 - b. The collateral for the project (if a loan is involved).
- 2) Be on the funding source's letterhead.
- 3) Be dated and signed by an authorized representative of the entity providing the funds.
- 4) Clearly identify the project name and description for which the commitment of funds is being made.

Commitment letters must be current and relative to the project seeking funding from KHC. The firm commitment letters may contain normal and customary contingencies for equity and loan commitments, including but not limited to: approval of appraisal, closing of other sources of financing, environmental and title review, financial condition of the developer, and satisfactory negotiation of partnership and/or loan documents. Final underwriting will not be completed until all firm commitments are received.

If the firm commitment letters have not been submitted by the original May 1, 2014, technical submission deadline, the conditional commitment will expire **automatically**, and KHC will recapture all associated funding. **No extensions of the technical submission deadline for firm commitments will be granted.** Firm commitments from RD or HUD loan financing **are not** required to be submitted within this time frame; however, RD or HUD loan commitments must be provided to KHC as soon as they are available. Time is of the essence with respect to the conditional commitment and all time limitations therein. KHC will strictly enforce requirements imposed upon applicants. Applicants must agree to proceed diligently to closing.

Applicants applying to RD for resources or assistance must provide a complete application and all required documents (with exception of the appraisal) to the RD office within **one month** of

receiving the preliminary award letter. KHC will forward the project's appraisal to RD. Applicants who do not provide a complete application to RD in a timely manner will risk not meeting the closing deadline. **Extensions to the closing deadline will not be given due to an applicant's delay in providing RD with the required application and supporting documentation.**

Applications for HUD resources must complete the pre-approval application process within the original technical submission deadline.

TS2-2 Updated Underwriting Model

(Required for all projects)

An electronic (Excel) version of the project's updated underwriting model must be uploaded to the online application system or e-mailed to your program specialist. If **any** terms of non-KHC funding or other projections shown on the underwriting model (sources of funds, construction costs, rents, annual expenses, etc.) have changed since the initial application submission, the underwriting model must be updated to reflect these changes and appropriate supporting documentation must be provided. When all projections are firm and documented, KHC will issue a final underwriting model at the Pre-Construction/Pre-Closing stage.

TS2-3 Appraisal

An appraisal is required on projects where KHC's total loan amount (including due at maturity and forgivable at maturity loans) is \$250,000 or more or for projects requesting Housing Credit for acquisition. KHC reserves the right to request an appraisal on any project utilizing KHC funds. Appraisals must be received during the technical submission stage. Applicants are responsible for all costs associated with the completed appraisal.

Applicants with a KHC loan of \$250,000 or more **must** choose an appraisal firm or individual listed on KHC's approved list and the appraisal must meet KHC's appraisal standards. The list of KHC-approved appraisers is available on KHC's Web site, www.kyhousing.org, under Housing Production, Multifamily Finance, [Appraisals](#).

Housing Credit projects not requesting KHC loan funds but are requesting acquisition credit must provide an appraisal supporting the building basis for purposes of determining the proper amount of Housing Credit reserved. The appraisal must provide at a minimum the "as-is" market value of the building and a separate site value for the land. Eligible basis will be limited to the basis determined by the required final cost certification. These appraisals do not need to meet KHC's appraisal guidelines or need to be ordered from KHC's contract appraisers.

Please refer to [Chapter 8 Financial Requirements for all Funding Sources](#) for additional guidance on appraisal requirements.

TS2-4 Draft Final Partnership Agreement or Firm Commitment of Equity

Provide a copy of the draft partnership agreement or the firm commitment of equity if it was not provided at application. Equity commitments must contain the specific terms for the purchase of credit (credit pricing, amount of annual credit anticipated, total equity investment, pay-in schedule, required fees, reserve account requirements, etc.). The commitment must be on the equity provider's letterhead, identify the project name, and be dated and signed. Equity commitments must be current and relative to the project seeking funding from KHC. If the project is utilizing a KHC bridge loan, the equity commitment must recognize the bridge loan and state the benefit of the delayed equity pay-in to the pricing structure and total equity investment.

TS3-1 Owner and Architect Agreement

(Required for projects that have an architect involved and all projects of 12 units or more)

The architect's documents shall be prepared in accordance with the HUD Minimum Property Standards, Uniform Federal Accessibility Standards, the Kentucky Building Code, and/or Kentucky Residential Code, Universal Design, Minimum Design Standards as adopted by KHC, applicable state and federal Fair Housing laws, and meet all HQS.

- The architect and owner shall submit an executed copy of their agreement. There are various types of standard AIA documents that can be used depending upon the type of project and the relationship between the owner and architect. Only the most recent and up-to-date AIA documents should be used.
- The most commonly used agreement is the lump sum contract, which is B141 Standard Form of Agreement between the owner and architect with the standard form of architect's services.
- **KHC cannot approve an open-ended contract that does not specify the total contractual amount for the services rendered.**

TS3-2 ALTA Survey

A surveyor licensed in the Commonwealth of Kentucky must complete an ALTA survey. The survey must be certified to KHC and be stamped, sealed, dated, and signed by the licensed surveyor and be dated less than one year from submission date of application.

The survey must include the following:

- Metes and bounds at a preferred scale of 1 inch equals 20 feet but no smaller than 1 inch equals 40 feet.
- Metes and bounds legal description of the property line, which should also indicate setback requirements if they exist. All easements and right-of-ways should also have the metes and bounds described in the description.
- The survey shall show all right-of-ways and/or easements and north arrow.
- All roads, setback requirements, and natural drainage ways.
- The survey shall indicate the 100-year flood boundary, any other floodways, and a written floodplain zone determination.
- All parking, streets, walks, curbs, dumpster pads, playground areas, etc., must be included on site survey.

TS3-3 Final Construction Plans

(Required for all projects)

Note: On projects with 12 or more units, plans must be prepared by a licensed design professional and be dated and sealed with the architect's and engineer's stamp and signature.

Minimum final plan information and requirements:

- Plans must be at 1/4-inch scale.
- Completed in accordance with the highest architectural and engineering professional standards.

- Submitted to the appropriate building code officials for their review.
- Comments received during the application stage must be incorporated in the final plans.
- Final comments shall be incorporated into the final drawings or amended by an addendum.
- Meet all accessibility requirements (UFAS, Fair Housing, ANSI A117.1, Universal Design, one or more as applicable).
- Address the issues identified in the Physical Capital Needs Assessment (if applicable, for rehabilitation projects).

➤ **For projects containing 12 units or more**

The construction plans must contain:

- | | |
|------------------------|---------------------------------------|
| • Site plan | • Elevations |
| • Earthwork plans | • Building sections or wall sections |
| • Landscaping plans | • Enlarged bathroom and kitchen plans |
| • Floor plans | • Door, window, and room schedules |
| • Enlarged floor plans | • Structural drawings (if applicable) |
| • Foundation plans | • Mechanical and electrical plans |

➤ **For projects with 11 units or less**

The construction plans must contain:

- | | |
|------------------------|-----------------------------|
| • Site plan | • Elevations |
| • Earthwork plans | • Building or wall sections |
| • Floor plans | • Mechanical drawings |
| • Enlarged floor plans | • Electrical drawings |

KHC will accept, at the time of technical submission, verification that the plans have been sent to the appropriate building code officials for review. KHC will not complete its final review until final verification of modifications or changes are received from the building code officials.

If corrections to the final plans are being done by an addendum, it must be submitted for review and should contain all necessary corrections.

During the technical submission stage, KHC will review all final plans. All modifications or corrections will be made during the technical submission stage. The program specialist will inform the applicant if additional changes or corrections will need to be made. All changes and modifications must be submitted and approved prior to KHC's commitment and final underwriting. **Final plans including all approved alterations and additions must be submitted to KHC on a disc or flash drive prior to beginning construction. All pages must be included in order, under one single attachment.**

Earthwork Plans

(Required for projects of 12 units or more)

Information requirements for earthwork and grading plans:

- Grading contours existing and new at 2-foot intervals, unless the grade is too steep and it is not feasible.
- Storm drainage piping with manholes, headwalls, and retention areas, or any other miscellaneous structures. Should show top of structure elevation as well as invert elevation.
- Show slopes greater than 3:1 with ground cover.
- Show location of soil boring test, if they apply.
- All finish grade work at buildings shall be a minimum of 8 inches below finish floor elevation and slope away from the building a minimum of 6 inches over a 10-foot run.
- If retaining walls are required, they should be shown and provide a top of wall spot elevation and adjacent grade elevation.
- Walls, curb cuts, access ramps, dumpster pads, etc., must be shown on plans.

Site Utility Plan

(Required for all projects, with the exception of projects of 11 units or less if the information below is included with the site survey)

- All existing utilities with size of piping shown.
- New water lines with size indicated and point of connection to the existing water line shown.
- Fire protection lines, vaults, and fire hydrants shown.
- Sewer and gas lines with the size indicated and manholes marked shown. Provide top elevations with invert elevations and direction of flow.
- Overhead or underground electrical service along with telephone and TV cable shown.
- All utility easements and their width must be indicated. Provide utility details, as required, to demonstrate all structures and/or improvements.

Existing Utilities

(Required for all projects)

During technical submission, letters from the local utility companies indicating the availability and capacity of utilities to the proposed site must be provided. The cost of all connection fees, tap fees, and/or relocation cost, if any, should be included in the development cost. If the proposed development includes rehabilitation, a letter from the affected utilities must clearly state that the utilities are present and that the upgrades, additions, and changes are acceptable.

If off-site utilities are being brought to the site by local municipalities, the letter should include the date the work will begin and the anticipated cost. Evidence should be provided that the work will be done by a specific time. Proof that the work will be paid for by local municipalities must be submitted to the satisfaction of KHC's Legal Department. If the developer is extending the utilities to the site, they must have the utility extension completed before KHC funds can be accessed or the funds must be placed in escrow to assure completion of the utility extension.

Landscaping Plan

(Required for 12 units or more. All projects should have an adequate amount of shrubs, trees, and plantings to enhance the project.)

- Provide planting details and show mulch areas.
- Provide trees and shrubs and a legend that gives their size.
- Show areas that need to be seeded or will receive sod.

Foundation Plans

(Required for 12 units or more)

- Plans should indicate all footings and the foundation wall as it sits on the footings.
- Provide dimensions to indicate lengths, widths, and the thickness of each type of foundation.
- Indicate footing sizes, wall materials, and wall thickness.
- Indicate the steel reinforcing and grout.
- Show areas that are concrete slab on grade and areas that are located over crawl spaces.
- Provide details that indicate the slab and all associated materials, such as poly vapor barrier, stone base, wire mesh, construction joints, control joints, and expansion joints.

Floor Plans

*(Required for **all** projects)*

Floor plans should include the following, at a minimum:

- The entire building drawn at no less than 1/8-inch scale. Provide a plan for each different building type.
- Indication of all exterior and interior walls and the thickness of the walls.
- All rooms labeled to indicate their use.
- Dimensions applied to drawings to indicate room size. Indicate on the plans if dimensions are to face of stud, center of stud, or to finish face.
- All window and door openings with door swings and a reference to a door and window schedule.
- Exterior wall finishes and section and plan details for each type of wall construction.
- Kitchen cabinets, plumbing fixtures, and bathroom accessories. Larger scale plans may be required to properly indicate these.
- Show closet shelving, ceiling access, exterior walkways, porches, etc.
- Show the complete project even if it is made up of more than one unit and are identical units.
- If a project is a rehabilitation, the existing items shall be shown that will remain and those that will be demolished.

Enlarged Floor Plans

*(Required for **all** projects)*

Enlarged floor plans at a minimum should indicate the following.

- All dimensions to include those that cannot be shown on the 1/8-inch scale building plan.
- Exterior dimensions and all wall thickness.
- All wall types and describe each type.
- Location of firewalls and party separations walls.
- Walls receiving insulation and the type of insulation.
- Location and sizes of all access panels.
- All doors and windows with their designation as to type.
- Indication line as to transition between different floor finishes.
- Indicate where ceilings and soffits are dropped.
- Include closet shelving and indicate type of shelving.
- Show kitchen cabinets, vanities, and toilet fixtures.
- Show room description or room number.

Elevations

*(Required for **all** projects)*

- Elevations required for all sides of the buildings.
- Exterior wall finishes.
- Window and door openings.
- Roof material and the slope of the roof.
- Eave, rake, and fascia conditions to include gutters and downspouts.
- Balconies, breezeways, railings, and exterior steps.

Building and Wall Sections

*(Required for **all** projects)*

- Construction of exterior walls with footers, floor-to-wall details, and ceiling-to-wall conditions.
- Footing details complete with notes and dimensions.
- Exterior grade to finish floor relationship.
- Floor construction and height to second floor or ceiling structure above.
- Wall structure, thickness, and type of interior and exterior finishes.
- Wall and floor insulation and give R-values.
- Show eave or overhang of roof to wall with materials and heights noted.
- Roof structure and materials with notes and dimensions.

Enlarged bathroom and kitchen plans and elevations

(Required for 12 units or more)

- Kitchen cabinets and elevations.
- Bathroom layout with all equipment and bathroom accessories.
- Mounting heights of all bathroom accessories.
- Show location of wood blocking in walls for attachment of accessories.
- Show turning radius and clearances required by the applicable codes in accessible units.

Door, window, and room schedules

(Required for 12 units or more)

- Provide room schedule with room designation or number. Indicate floor finish description, base finish, wall finish, ceiling finish, and notes for special finishes.
- Provide door schedule. Indicate door size, thickness, material, and fire rating, if applicable. Provide elevation of each door type.
- Door hardware schedule. Indicate hinges, lock sets, closures, panic push bars, kick plates, and weather stripping.
- Provide window schedule. Indicate window size, type, operation, and glazing. Provide elevations of each type.
- Show all details for windows, doors, and finishes, as necessary.
- Provide windows in bedroom and living rooms that meet egress and emergency escape requirements in the Kentucky Building Code and/or Kentucky Residential Code, and HQS.

Plumbing Drawings

*(Required for **all** project types)*

Exception: For **projects of 11 units or less**, a plumbing contractor licensed in Kentucky may prepare schematic drawings.

- Drawings shall show plumbing supply lines and indicate size of pipe.
- Plumbing waste line and indicate size of pipe and direction of flow.
- Legends shall be placed on drawing indicating all plumbing fixture type and manufacturer model numbers.
- Show riser diagrams for all piping to indicate size and direction of flow.

Mechanical Drawings HVAC

*(Required for **all** project types - exception: for **projects of 11 units or less**, a mechanical contractor licensed in Kentucky may prepare schematic drawings)*

- Provide legends that have equipment sizes, model numbers, and manufacturers' names.
- Show all mechanical supply and return ducts along with equipment. Indicate duct construction, sizes, design capacity, insulation, location of fire and/or smoke dampers (if required), and smoke detectors, (if required).
- Miscellaneous details as necessary.

Electrical

*(Required for **all** project types - exception: for **projects of 11 units or less**, an electrical contractor licensed in Kentucky may prepare schematic drawings)*

- Show locations of all electrical outlets, switches, and circuits for all areas.
- Show location of light fixtures, panel boxes, and switch gear.
- Provide GFI circuits and outlets where required.
- Provide arc-fault protection where required.
- Show exterior lighting if applicable and emergency lighting.
- Provide a legend that further describes light fixtures, circuit breakers, and other miscellaneous items.

Structural Drawings

(Required for 12 units or more, only on occasion when larger scale developments may be required to include structural drawings)

- Floor framing plans, complete with details and sections, fully describing the structural system of the floor.
- Roof and/or ceiling framing systems with details that clearly indicates all details and conditions.
- Foundation systems with associated details for all conditions that exist.
- Miscellaneous details that cover all aspects of the structural system that are involved.

TS3-4 Final Specifications / Work Write-Up

(Required for all projects, except rehabilitation projects of 11 units or less may submit a work write-up in lieu of specifications)

KHC's Design and Construction staff will review the final specifications in conjunction with the final plans. All modifications or corrections will be made during the technical submission stage. If changes occur during the review of the final plans that may cause a change in the specifications, the Program Specialist will inform the applicant additional changes or corrections will need to be made.

If corrections to specifications are being done by an addendum, they must be submitted for review and should contain all corrections that are necessary.

All specifications shall be written following the standard Construction Specifications Institute master format. Specifications shall include the standard A.I.A documents, such as, general requirements, contract for construction, performance bond, etc. The architect must write the specifications in accordance to accepted standards, rules, and regulations. The specifications must specify products by model number and manufacturer for the sole purpose to use as a guide for the contractor. It should never be the intent of the specification to limit the contractor to one or two manufacturers.

All changes and modifications must be submitted and approved prior to KHC's commitment and final underwriting. Any previous review comments during the application stage shall be corrected and incorporated into the final specifications. Final specifications must address the issues identified in the Physical/Capital Needs Assessment if applicable for rehabilitation projects.

All documents that pertain to the contract for construction shall be included. The specifications must include the following **23 divisions**:

Division 01- General Requirements	Division 13- Special Construction
Division 02- Existing Conditions	Division 14- Conveying Equipment
Division 03- Concrete	Division 21- Fire Suppression
Division 04- Masonry	Division 22- Plumbing
Division 05- Metals	Division 23- HVAC
Division 06- Carpentry	Division 26- Electrical
Division 07- Thermal and Moisture Protection	Division 27- Communications
Division 08- Door and Windows	Division 28- Electronic Safety and Security
Division 09- Finishes	Division 31- Earthwork
Division 10- Specialties	Division 32- Exterior Improvements
Division 11- Equipment	Division 33- Utilities
Division 12- Furnishings	

The architect must be explicit in each section to clearly define the following:

- Scope of work.
- Products and/or materials.
- Quality assurance, testing and quality control.
- Execution and/or installation.
- Submittals and samples.
- Warranties and/or guaranties.

The specifications must be written to describe the means and methods to accomplish the work during bad weather conditions and must also include the following.

- Project description.
- Bidder instructions, if applicable.
- Wage scale and Davis-Bacon requirements, if applicable.
- Copy of the general contractor's agreement.
- General and supplemental conditions.

Final Work Write-Up Description

(In lieu of final specifications; rehabilitation projects of 11 units or less)

During the technical submission stage, KHC's Design and Construction staff will review the final work write-up in conjunction with the final plans. All modifications or corrections will be made during the technical submission stage. If changes occur during the review of the final plans that may cause a change in the work write-up, the program specialist will inform the applicant if additional changes or corrections will need to be made.

TS3-5 Final Cost Estimate

(Required for all projects)

The final cost estimate may be altered after KHC has completed the technical submission review on the final construction plans, outline specifications and final underwriting. The program specialist will contact the applicant if an updated Final Cost Estimate is needed.

The cost estimate shall indicate the actual amount that will be spent on each line item during construction. This document will be utilized throughout the course of construction for disbursement of funds. No soft costs should be included on any of the line items for this breakdown. The final cost breakdown and the final sources and uses must match.

The cost estimate can be one of three different forms:

- Construction Cost Breakdown HUD Form 2328
- Schedule of Values, AIA Document G702 and G703
- KHC's Application and Certificate for Payment Form

Whichever form is used, be sure to apply the correct cost with the line item that best describes the work. If the AIA document is used, the breakdown should be very detailed.

TS3-6 Evidence of Plan Submission to Local Building Permit Authority or Kentucky Department of Housing, Buildings, and Construction

(Required for all projects; attach with plans)

If no local authority exists in which plans were reviewed by a licensed local code enforcement official, a letter of approval from the Kentucky Department of Housing, Buildings, and Construction will be required.

The local Department of Housing, Buildings and Construction (HBC) or other local jurisdiction in the county where the project is located must review and approve the plans and specifications. If the local jurisdiction has no authority or a building inspector, then the developer should obtain approvals from the State Department of Housing Building and Construction in Frankfort if the project consists of two or more attached units (subject to change by policies of HBC).

If there are changes made by local or state officials, these changes must be reflected on the final plans and or an addendum will need to be submitted to KHC for final approval.

TS3-7 Architect's Certification of Accessibility

(Required for all projects in which the services of an architect are utilized)

The project architect must certify that the project design is in conformance with the Fair Housing Act of 1988, KHC Minimum and Universal Design Standards, Uniform Federal Accessibility Standards, Section 504 of the Rehabilitation Act of 1973, Americans with Disabilities Act Accessibility Guidelines, and any other state or local code or regulation pertaining to design or inclusion of rental housing accessibility features. This [form](#) is located on KHC's Web site under Housing Production; Multifamily Finance, Reference Materials; [Technical Submission Packet](#).

TS3-8 Lead-Based Paint Inspection and Assessment -OR- Proof of Abatement

(Rehabilitation projects constructed prior to 1978 and receiving HOME, Project-Based Section 8, or Risk-Sharing are subject to the lead-based paint regulations of 24 CFR 35)

Projects built prior to 1978 must provide the lead-based paint inspection and assessment conducted by a certified lead hazard inspector. If the project has had prior abatement of lead-based paint, proof of prior abatement must be provided.

TS3-9 EPA Lead Compliance Certification

(Required for pre-1978 rehabilitation projects)

Applicants proposing the rehabilitation of buildings constructed prior to 1978 must submit the EPA Lead Compliance Certification form in order to comply with the Renovation, Repair and Painting (RRP) Rule. This form is located on KHC's Web site, www.kyhousing.org on the Housing Production page under Multifamily Finance, [Reference Materials](#).

Effective April 22, 2010, the Environmental Protection Agency (EPA) implemented a new lead-based paint rule that affects every type of rehabilitation work, whether funded privately or federally. The rule requires contractors and construction professionals that work in pre-1978 housing or child-occupied facilities to follow lead-safe work practice standards and be certified. Essentially, anyone receiving compensation for renovating, repairing, and painting work in residences built before 1978 that disturbs painted surfaces is subject to the Renovation, Repair, and Painting Rule (RRP). No paid job can disturb painted surfaces in pre-1978 homes or child care facilities unless the firm that is undertaking the work is certified by the EPA or a state, and the renovator has completed training and is a certified renovator. KHC will require a self-certification regarding your compliance with the RRP rule on all projects funded with state or federal funds.

The requirements under the rule apply to maintenance as well as rehabilitation and renovations. The following are benchmarks for work:

- Inside – Renovation or repair activities where six square feet (about the size of a poster) or more of a painted surface is disturbed.
- Exterior – Renovation or repair where 20 square feet or more of painted surface (about the size of a door) is disturbed on the exterior.
- Window replacement is also covered by the rule.
- The only exceptions are where paint is proven lead free or the job is smaller than six square feet.
- Safe work practices prevent the spread of dangerous lead dust and paint chips. These practices include:
 - Posting a warning sign.
 - Spreading plastic to pick up debris.
 - Refraining from sanders or other machines without a filter to prevent the spread of dust.
 - Cleaning up thoroughly.
 - Checking the work area.

TS3-10 Davis-Bacon Wage Rate Request

The following project types are subject to Davis-Bacon wage rates:

- HOME-funded projects of 12 or more assisted units
- Projects in which 9 or more units have KHC project-based Section 8 voucher assistance; not applicable to projects that received rental assistance through the Performance-Based Contract Administration (PBCA) program
- Projects utilizing Risk-Sharing construction financing on 12 or more units

The Davis-Bacon Act requires that laborers be paid an amount not less than the prevailing wage of the locality as predetermined by the U.S. Secretary of Labor. A project may not be split into more than one contract for the sole purpose of avoiding Davis-Bacon Requirements. The Davis-Bacon wage rate request form must be submitted during the technical submission stage. This form is located on KHC's Web site, www.kyhousing.org, under Housing Production, Multifamily Finance, [Reference Materials](#).

TS3-11 Utility Letter(s)

Letters from the local utility companies indicating the availability and the available capacity of utilities to the proposed site must be provided. The cost of all connection fees, tap fees, and/or relocation cost, if any, should be included in the development cost. If the proposed development includes rehabilitation, a letter from the affected utilities must clearly state that the utilities are present and that the upgrades, additions, and changes are acceptable. If off-site utilities are being brought to the site by local municipalities, the letter should include the date the work will begin and the anticipated cost. Evidence should be provided that the work will be done by a specific time. Proof that the work will be paid for by local municipalities must be submitted to the satisfaction of KHC's Legal Department. If the developer is extending the utilities to the site, they must have the utility extension completed before KHC funds can be accessed or the funds must be placed in escrow to assure completion of the utility extension.

TS3-12 Subsurface Soils Investigation Report

Required on:

- Projects requesting Risk-Sharing funds
- New construction projects of 12 or more units or rehabilitation projects with new construction
- As deemed necessary per site visit by a KHC construction specialist

A soils engineer is required to perform the soils report and provide information concerning the soil boring. The report shall include a site plan with the location of where the soil boring testing occurred along with the results. Test boring shall be located in critical areas where buildings are proposed. Footing designs and recommendations are required to be included within the report.

TS3-13 KHC Project Review Agreement

(Required for all projects)

All projects are subject to inspection by KHC. The [Project Review Agreement](#) outlines the applicant's and KHC's roles and responsibilities throughout the inspection process. Applicants are required to sign the Project Review Agreement, which can be found on KHC's Web site, www.kyhousing.org, under Housing Production, [Design and Construction](#).

TS3-14 HERS Index Certification

(Required for projects using the optional HERS rating system)

If the project is utilizing the HERS rating system, the HERS rater will work with the builder to identify the energy efficiency improvements needed to reduce the HERS Index or to ensure the building will meet certain program guidelines, such as ENERGY STAR, which are separate from the eventual final HERS rating. Based on the final plans, the HERS rater uses an energy efficiency software package to perform an energy analysis of the project's design. This analysis yields a projected, preconstruction HERS index. This pre-construction HERS index certification, signed by the HERS rater, must be submitted at technical submission.

Note: If items TS4-1 through TS4-5 (Clearinghouse letter, Historic Preservation Letter, Phase I and Phase II environmental report, and archeological survey) are applicable to your project, please submit those items via e-mail to your project specialist as soon you receive them, even if it is prior to sending in the rest of your Technical Submission items. This enables KHC's Environmental Specialist to begin the environmental review process and determine if further measures must be taken.

TS4-1 A-95 Clearinghouse Letter

(Required for HOME and/or Risk-Sharing projects—submit as soon as available)

A letter that is received from the Kentucky Department for Local Government (DLG) stating the project has gone through the process to ensure there will be no negative impacts on any part of the environment and has received clearance to move forward with the environmental review. This letter is received after application has been made to the DLG State Clearinghouse through the Kentucky Intergovernmental Review Process during the application stage and will provide information regarding further inspections or documentation that may be required.

The Kentucky Intergovernmental Review process is located at <http://dlg.ky.gov/clearinghouse/>. KHC cannot complete its environmental review of the project until the Clearinghouse letter has been submitted to KHC.

Note: It is very important you read the comments you receive back from Clearinghouse. This letter serves as the opportunity for many state and federal agencies to point out any additional requirements that they may have for your project. For example, the comments from State Historic Preservation Office/Kentucky Heritage Council may require you send them additional information and failure to do so can cause project delays.

TS4-2 Historic Preservation Letter

(Required for historic preservation projects—submit as soon as available)

Applicants proposing the rehabilitation of historic properties must obtain a historic preservation clearance letter from the Kentucky Heritage Council's SHPO. Plans and specifications must still meet all KHC Design and Construction requirements.

Also, please note for a federally funded project, that if the Kentucky Heritage Council has commented in their response in the Clearinghouse letter that an archeological survey is necessary or that the structure to be rehabilitated appears to be over 50 years of age or in a district that is, or is eligible to be, recognized as a Historic District, you must contact the SHPO at the Kentucky Heritage Council regarding your requirements under the Section 106 process.

TS4-3 Phase I Environmental Site Assessment

(Please submit as soon as available)

A Phase I Environmental Site Assessment, which conforms to proper ASTM standards, is required for all new construction projects consisting of more than four units with HOME, Risk-Sharing and/or Project-Based Section 8 as **any** portion of funding.

The purpose of an environmental site assessment is to determine whether a particular parcel of land or real estate has the presence of any hazardous substances or petroleum products. These conditions could be of an existing release, a past release or a material threat of a release of any products found on the property or into the ground, ground water, or surface water of the property or surrounding properties. The range of contaminants shall be within the scope of Comprehensive Environmental Response, Compensation, and Liability Act and petroleum products.

The scope of this practice includes research and reporting requirements that support the user's ability to qualify for the innocent landowner defense. Documentation of all sources, records, and resources utilized in conducting the inquiry required by this practice must be provided in the written report.

Individuals or agencies must be experienced in this field of work and have a current knowledge of all related federal and state law requirements. All reports shall be prepared in accordance with the standards set forth in ASTM E1527 and ASTM E1528. For more information, you may refer to www.astm.org.

Please note that on HOME and Risk-Sharing projects, it is important to submit the Phase I early in the technical submission stage. KHC needs the Phase I to be able to proceed with the HUD environmental review that is required and you cannot receive a commitment of these federal funds until the HUD environmental is complete.

KHC reserves the right to request a Phase I environmental study on any project it feels necessary, including those in which an appraisal indicates actual or evidence of possible environmental liability.

TS4-4 Phase II Environmental Assessment

(May be required on projects of 12 units or more—submit as soon as available)

If a Phase II environmental assessment is required, it will be noted in the Phase I assessment. A Phase II assessment is only required when there is an item of concern discovered during the Phase I assessment, requiring additional action to further investigate or remedy the problem.

TS4-5 Archeological Survey

(If requested by SHPO—submit as soon as available)

When nonprofits and units of local government request HOME funds and an archeological survey is required, the developer may receive reimbursement for the survey through HOME administration funds. These funds are above the amount of HOME funds originally awarded to the project. KHC reserves the right not to pay for additional surveys if they are required and reserves the right to withdraw the commitment. Nonprofit organizations must complete a bid process consistent with the applicable procurement policy. The SHPO can provide a list of agencies that are approved to provide these services. If the project is not able to move forward

or KHC decides not to continue with the project, KHC reserves the right to require a refund of all archeological related payments made to the developer.

When HOME funds are not requested but an archeological survey is required, the developer is responsible for payment for the archeological survey and cannot receive reimbursement from HOME administration funds. However, payment can be absorbed through soft costs already included in total project costs.

For-profit developers requesting HOME funds for a project of less than 12 units may receive reimbursement for the survey, if required, in the same manner as is described for nonprofits and units of local government. Even though for-profit organizations are not subject to procurement policies like nonprofit organizations, they will still be required to follow a bid process, requesting at least three bids, to demonstrate they have received the best possible price.

For all projects of 12 units or more being developed by a for-profit entity, the developer is responsible for payment of the archeological survey, if one is required, and cannot receive reimbursement from HOME administration funds; however, payment can be absorbed through soft costs already included in total project costs.

TS5-1 Project Set-up Report

(HOME projects only)

HUD requires that all HOME funds allocated to a project be reserved at the Treasury using the Integrated Disbursement and Information System. The [project set-up report](#) form is the HUD document that the recipient must complete and submit to KHC to report project-specific information, performance measures, and use of HOME funds. This form can be found on KHC's Web site, www.kyhousing.org, under Housing Production, Multifamily Finance, Reference Materials, [Rental HOME Packet](#).

TS5-2 Anti-Displacement and Relocation Assistance Plan

(For all rehabilitation projects, a plan for relocation must be submitted, whether the building is vacant or occupied – if not previously submitted at application)

All projects involving current tenants (regardless of whether or not they will be relocated) must submit a relocation plan. This will primarily be a practical narrative explaining the relocation situation for your particular project. **All projects involving relocation should discuss this with KHC's environmental/relocation specialist as early in the planning phase as possible.** This issue must be addressed prior to application submittal. Please refer to [Chapter 1](#), checklist item [A2-25](#), for more information.

TS5-3 Authorized Signature Form

(Required for all projects with KHC funds)

This document is required **prior** to KHC disbursing any funds. There are at least two different signatures required on this form, and it is a means of checks and balances for KHC; one person signs the draw request form and another should sign the check. The same person **may not sign both**. The signature form must be signed by the top official of the organization (i.e., board chair, CEO, mayor, etc.). This [form](#) can be found on KHC's Web site, www.kyhousing.org, under Housing Production, Multifamily Finance, Reference Materials, [Technical Submission Packet](#). Please contact your assigned program specialist for further guidance.

TS5-4 Site and Neighborhood Standards Questionnaire

(HOME projects only)

Each recipient must administer its HOME funds in a manner that provides housing that is suitable from the standpoint of facilitating and furthering full compliance with the applicable provisions of Title VI of the Civil Rights Act of 1964 and promotes greater choice of housing opportunities. This [form](#) must be completed and submitted to KHC for review and approval prior to release of HOME funds. This [form](#) can be found on KHC’s Web site, www.kyhousing.org, under Housing Production, Multifamily Finance, Reference Materials, [Rental HOME Packet](#).

TS6-1 Housing Credit Reservation Fee

(Housing Credit projects only)

The amount of reservation fee due will be identified in the award letter sent to the applicant at the time of funding announcements and is calculated as a percentage of the total amount of credit received. **The reservation fee is due to KHC within two weeks of the date of the preliminary award letter.** Please refer to the [QAP](#) for further information.

TS6-2 Documentation indicating eligibility for acquisition credit

(Required on Housing Credit projects requesting acquisition credit)

A letter from the applicant’s certified public account or tax attorney must be provided to document that the project is eligible for acquisition credits.

TS6-3 Internal Revenue Service waiver for troubled projects

(Required for Housing Credit projects – if applicable)

If an existing project has been designated a “troubled project” by HUD or RD, the project may request a waiver from the IRS to the ten-year holding period requirement. If a project has received this waiver, a copy of the waiver letter must be submitted to KHC.

TS7-1 Organizational Documents

(Not applicable to projects requesting Housing Credits only)

If not provided earlier in the application process, the following organizational documents must be provided for the **borrowing entity** on all projects requesting KHC funding, as applicable:

For a Kentucky corporation:

- Articles of Incorporation (and any amendments)
- Bylaws (and any amendments)

For a foreign corporation:

- Articles of Incorporation (and any amendments)
- Bylaws (and any amendments)
- Certificate of Authority to do business in Kentucky

For a Kentucky partnership (both general and limited):

- Partnership Agreement (and any amendments)
- Certificate of Partnership (and any amendments)

For a foreign partnership:

- Partnership Agreement (and any amendments)
- Certificate of Partnership (and any amendments)
- Certificate of Authority to do business in Kentucky

For a Kentucky limited liability company:

- Articles of Organization (and any amendments)
- Operating Agreement (and any amendments)

For a foreign limited liability company:

- Articles of Organization (and any amendments)
- Operating Agreement (and any amendments)
- Certificate of Authority to do business in Kentucky

Please note that nonprofit organizations are required to have the provision of affordable housing listed as one of their designated purposes in the Articles of Incorporation and/or Bylaws.

Minority- and women-owned businesses must demonstrate that the entity is 51 percent owned and controlled by a minority or female.

TS7-2 Baseline Active Partners Performance System (APPS) or HUD Previous Participation Certification Process (HUD-2530) Completed
(Required for Risk-Sharing only)

Submit either proof of completion of the [Baseline APPS](#) or the completed [HUD-2530 form](#). KHC will forward the completed HUD-2530 to the local HUD office during the review of the final underwriting. These can be found on HUD's Web site, www.hud.gov or on KHC's Web site under Housing Production; Multifamily Finance; Reference Materials; [Technical Submission Packet](#).

TS7-3 Identification and Certification of Eligible Limited Liability Investor Entities
(Required for Risk-Sharing projects with Housing Credit)

The [certification form](#) is part of HUD's previous participation requirement and must be completed by the equity investor and/or syndicator. KHC will forward this form to the local HUD office during review of the final underwriting. This [form](#) can be found on KHC's Web site, www.kyhousing.org, under Housing Production; Multifamily Finance; Reference Materials; [Technical Submission Packet](#).

TS7-4 Additional Documentation Needed

KHC may request any additional documentation needed, including documents not submitted with the application or documents that need clarification or correction.

Housing Credit Carryover Documentation

Projects receiving a reservation of Housing Credit must submit additional documentation in order to carry over the credit into the following year. KHC's Housing Credit administrator will send a reminder letter identifying the documents that must be submitted for carryover:

HC1-1 Owner/Recipient Information

Recipients of Housing Credits must submit a letter that includes the following:

- Owner and general partner federal identification numbers.
- Exact name and address of owner as it will appear on IRS Form 8609.
- Exact street address including zip code for all buildings (include number of buildings).

HC1-2 Draft syndication agreement or letter of intent including syndication proceeds

Applicant/developer receiving Housing Credits must submit a copy of the draft syndication agreement including a tentative pay-in schedule with milestones and cents on the dollar being paid. The final syndication agreement will be required before final underwriting is completed.

HC1-3 Partnership Agreement and Certificate of Limited Partnership

The Partnership Agreement governs relations among and between the partners, and the Certificate of Limited Partnership documents the partnership was formed and is a legal entity. This document must be filed with the Secretary of State and a copy of the filed document must be submitted to KHC.

HC1-4 Estimated project cost breakdown by building

Documentation will be required that shows the estimated cost of each building for the project. *Example:* If the project consists of four buildings, four separate cost breakdowns must be submitted (one for each building).

HC1-5 Updated project completion schedule

Projects delayed for any reason must submit an updated project completion schedule identifying project milestones and the anticipated date they will be met.

HC1-6 Owner certification of federal, state, or local loans and/or grants

KHC is required to ensure that the amount of Housing Credits allocated to a project does not exceed the amount necessary for the financial feasibility of the project. In making this determination, KHC will consider, among other things, the amount of subsidy the project is receiving. This [form](#) can be found on KHC's Web site, www.kyhousing.org, under Housing Production, Multifamily Finance, [Reference Materials](#).

HC1-7 Evidence of having incurred more than 10 percent of total project costs or a written request for 10 percent test extension

Projects allocated Housing Credits must be placed in service by the end of the calendar year the credits were allocated or they must submit a carryover request. If the project will not be placed in service prior to the end of the allocation calendar year, the recipient must either submit evidence of having incurred more than 10 percent of the total project cost **or** submit a written carryover request for an additional 12 months.

HC1-8 Gross Rent Floor Election

The IRS will treat the gross rent floor as taking effect on the date KHC initially allocates tax credits to the building, unless the owner designates the placed-in-service date instead, **informs KHC prior to that date**, and the IRS will make the gross rent floor effective on that date. This [form](#) can be found on KHC's Web site, www.kyhousing.org, under Housing Production, Multifamily Finance, [Reference Materials](#).

CHAPTER 4: Pre-Construction / Pre-Closing Stage

All loan closings and execution of funding agreements occur after successful completion of the technical submission phase and final underwriting. Additional documentation noted below must be submitted for final underwriting and other documents will be required prior to loan closing and the commencement of construction. In addition to the items required below, projects with Risk-Sharing funds may need to provide supplemental documentation in order to close. KHC may request further information as needed.

Documents Required for Final Underwriting

PC1-1 Operating Deficit Reserve / Reserve for Replacement / Tax & Insurance Escrow Certification

All applicants must certify that Operating Deficit Reserve and Reserve for Replacement accounts have been or will be established and identify the amount of the reserve accounts. The applicant must also identify the financial institution where the reserve accounts and the tax and insurance escrow accounts will be held. This [form](#) is located on KHC's Web site, www.kyhousing.org, under Housing Production, Multifamily Finance, Reference Materials, [Technical Submission Packet](#).

PC1-2 Notice of Intent to Draw Funds at Closing

If the applicant will be requesting KHC funds for acquisition costs or reimbursement of pre-development costs, the applicant must notify the program specialist by e-mail or letter that funds will be required at closing. A completed Universal Draw Request Form must be submitted, along with appropriate supporting documentation for the amounts requested, no later than two weeks prior to the closing date.

PC1-3 Owner's Employer Identification Number (EIN)

Provide evidence of issuance of the ownership entity's employer identification number from the Internal Revenue Service.

PC1-4 Owner's DUNS number

(Required for projects receiving federal funds from KHC)

All projects receiving federal funds from KHC must provide the project owner's DUNS number before any funds may be disbursed. A DUNS number can be obtained from Dun and Bradstreet at their Web site, www.dnb.com. In addition, the DUNS number must be registered on the new federal System for Award Management Web site at www.sam.gov.

PC1-5 Final Draft Limited Partnership Agreement

(Housing Credit projects only)

A draft of the final limited partnership agreement must be provided so that KHC may verify the assumptions in the final underwriting model are correct prior to the equity and loan closings, as applicable. Unless otherwise approved, KHC will not issue a final credit reservation letter without having first reviewed the final draft of the limited partnership agreement. A fully executed copy of the final limited partnership agreement must be provided to KHC within one week of the equity closing.

Documents Required for Loan Closing

PC2-1 Closing Attorney/Title Attorney Contact Information

(Required if not utilizing Risk-Sharing funds)

The contact information for the closing attorney, including the attorney's name, mailing address, e-mail address, and phone number must be provided. If a separate title attorney will be utilized, their contact information must be provided as well. This information is required for all projects involving a loan closing. Risk-Sharing loans will be closed by KHC's Legal Department.

PC2-2 Incumbency and Signatory Certificate or Resolution of Authorized Signatories

An Incumbency and Signatory Certificate or Resolution of Authorized Signatories is required to confirm the identities, titles, and authority of the signing officers of the borrowing entity to execute all necessary legal documents.

PC2-3 Organizational Documents

If the borrower is a newly formed entity or amended its organizational documents after their initial submission to KHC, copies of the organizational documents and any amendments are required.

PC2-4 Title Commitment and Insured Closing Letter

If the title insurance commitment provided to KHC during the pre-commitment stage is more than 30 days old, an updated commitment is required for closing. KHC also requires that an Insured Closing Letter be issued in its favor by the title insurance company who will be issuing the policy.

PC2-5 Final Survey

If any changes were made to the initial ALTA survey submitted during technical submission, a copy of the final version of the survey, certified to KHC, which has also been signed and stamped must be submitted to KHC.

If the project will be receiving Risk-Sharing funds, seven copies of the survey will be required. The survey must be dated within 120 days of the closing. The survey is to show all easements, rights-of-way, encroachments, set-backs, etc. It must be accurate and the metes and bounds must agree with the legal description.

PC2-6 Surveyor's Report

(Required for projects utilizing Risk-Sharing funds only)

The surveyor's report [HUD Form 92457](#) must be completed, dated, signed, and stamped by a licensed surveyor in the state of Kentucky. The survey must be dated within 120 days of the day of closing to be valid. A copy of the surveyor's report can be found at www.hud.gov under Forms.

PC2-7 Verification of Site Control

Proof the borrower still maintains site control of the property must be provided prior to closing.

- For owned property, if the borrower took title to the property by deed prior to the closing of the loan, KHC must be provided with a copy of the recorded deed.
- For leasehold property, if the borrower signed a lease for the property prior to the closing of the loan, KHC must be provided with a copy of the executed lease (and any amendments).

- **Note:** For federally-funded projects (HOME and Risk-Sharing), the new owner may not take legal possession of the property until after environmental clearance has been achieved, unless the deed transfer or lease was executed prior to submission of the application to KHC for funding.

PC2-8 Wiring or Electronic Funds Transfer Authorization

Wiring and/or Electronic Funds Transfer (EFT) authorizations are required for projects requesting funds at the closing and/or if funds will be drawn during construction from KHC.

All loan proceeds to be disbursed at closing must be deposited into the closing attorney's escrow account either by wire or check. If funds are to be sent by wire, KHC's wiring instructions form, completed by the closing attorney, must be provided.

If an applicant plans to receive construction draws via a wire or EFT, a wiring or EFT instruction form, providing the owner's bank information and authorizing KHC to complete such a transaction, must be provided. The wiring and EFT forms can be found on KHC's Web site, www.kyhousing.org, under Housing Production, Multifamily Finance, [Reference Materials](#).

Documents Required Prior to the Start of Construction

(All documents must be reviewed and approved prior to construction start)

PC3-1 Owner and Contractor Agreement

*(Required for **all** projects)*

At this stage, the owner and contractor can execute the Owner/Contractor agreement once final cost is determined. The Owner/Contractor agreement must agree with the final cost estimate and must match the hard costs shown on the sources and uses. The applicant can utilize either the AIA document or HUD's Construction Contract Form.

The contract must be completely filled out for final review and include the following:

- The construction contract amount, the date the construction should begin, and the date the construction should be completed.
- It must be signed and dated by the contractor and the owner.
- Any liquidated damages must be indicated and the amount per day must be stated.
- The contract must refer to the plans, specifications, and any addendums that have been issued.
- Cost contingencies are not to be included in the total hard construction costs on the Owner/Contractor agreement.

PC3-2 Assurance of Completion

KHC requires an Assurance of Completion for all projects when KHC has committed a total of \$100,000 or more of KHC funds. An assurance of completion is required for projects wherein KHC funds are drawn during the construction phase of the development. If KHC is only providing permanent financing with funds disbursed at project completion, an assurance of completion will not be required. **The determination of adequacy and sufficiency of assurances of completion shall rest solely with KHC.**

Assurances of completion shall be in one of three forms.

1. Payment/Performance bond (AIA document A 312 or the HUD Form 92452) equal to or greater than 100 percent of the total construction contract amount. Bonds must be issued by an insurance company licensed in the Commonwealth of Kentucky and must be signed by an authorized representative of the insurance company. KHC must be named as an additional insured on the bond. If KHC is providing a bridge or construction loan, or for Risk-Sharing projects in which insured advances are provided, a payment and performance bond is **required**.
2. Irrevocable On-Sight Demand Letter of Credit: The Letter of Credit must be in an amount equal to or greater than 30 percent of the total amount of KHC funds. **KHC must be the only named beneficiary** of the letter of credit; having multiple beneficiaries to the letter of credit is not acceptable. The Letter of Credit may be drawn upon by KHC in accordance with its terms and conditions.
3. Cash deposited with KHC in the sum equal to or greater than 30 percent of the total amount of KHC funds.

PC3-3 Evidence of Proper Insurance

(Required on all projects)

The contractor must provide evidence of proper insurance. The insurance policy must provide evidence of worker's compensation, builder's risk, and general liability. The insurance shall be carried during the length of the contract. A binder from an insurance company is sufficient documentation. **KHC must be listed as the primary Certificate Holder or Additional Insured on all insurance certificates when KHC has provided a loan to the project.**

PC3-4 Building Permit

(Required on all projects)

Before construction can begin, the contractor must receive a building permit. If the local jurisdiction indicates that a building permit is not required, the local authority, such as the mayor or county judge, must submit a letter verifying this information.

PC3-5 Approval letter from the Department of Housing, Buildings, and Construction

(If applicable)

If the local jurisdiction where the project is located does not issue building permits, plans must be submitted to the Kentucky Department of Housing, Buildings, and Construction who will send a letter authorizing the start of construction.

PC3-6 Inspection Fee

(Housing Credit projects only)

A one-time inspection fee equal to 0.5 percent of the annual Housing Credit allocation amount must be paid and submitted prior to construction.

PC3-7 Construction Schedule

The construction schedule must outline the anticipated completion benchmarks and targeted placed-in-service date of the project. Ideally, the benchmarks will be measured in terms of weeks/months from the date of loan/equity closing (i.e., 25 percent completion within 3 months of loan closing, placed-in-service within 12 months of loan closing, etc.).

PC3-8 Copy of Deed

(Required for all projects)

A copy of the deed must be provided prior to construction start. If the property will transfer ownership, the deed must show the transfer and be executed and recorded. **Note:** For federally-funded projects (HOME and Risk-Sharing), the new owner may not take legal possession of the property until after environmental clearance has been achieved, unless the deed transfer or lease was executed prior to submission of the application to KHC for funding.

PC3-9 Notification of Construction Start

After the loan and or equity closings have occurred, a notification of the start of construction must be received. KHC must receive a minimum of two weeks' notice prior to the start of construction to coordinate the inspection schedule. KHC's [notification of construction start form](#) can be found on KHC's Web site under Housing Production, Multifamily Finance, Reference Materials, [Technical Submission Packet](#).

Pre-Construction Conference

A pre-construction conference is required on all projects where the developer has not previously used KHC resources to construct or rehabilitate a rental project, including projects that are not requesting construction financing from KHC, or as deemed necessary by KHC staff.

The purpose of the pre-construction conference is to outline the basic responsibilities and duties of the various parties throughout the construction and warranty periods. The pre-construction conference will be conducted by KHC's construction specialists in conjunction with the program specialist assigned to the project.

Individuals involved with the construction of the development should attend the pre-construction conference. These individuals should include the developer/applicant, contractor, site superintendent, and architect, if applicable.

KHC's construction specialist will conduct the meeting along with the program specialist. The following are topics that will be discussed during the meeting:

- A construction inspection schedule determined
- Final cost estimate
- The notice to proceed
- Requirements for safety fencing
- Requirements for job safety
- [Project signage requirements](#)
- Wage scale and Davis-Bacon requirements, if applicable
- [Draw request process](#)
- [Change order process](#)
- The duties and responsibilities of the owner, architect, and contractor

Once the pre-construction conference has been conducted and all construction documents have been received, a Notification of Construction Start-up form must be submitted to KHC a minimum of two weeks prior to the start of any construction.

Construction may not start on a project before the closing without prior written permission from KHC. Starting construction early without KHC's permission may affect capacity scoring on future applications. In special circumstances, KHC will consider requests for early start authority on a case-by-case basis. Developers must work with their assigned program specialist for early start authorization.

CHAPTER 5: Closing and Construction Stage

After all the pre-construction and pre-closing documentation has been received, reviewed, and approved, KHC's Legal Department will begin to prepare the closing documents for all KHC loans approved during final underwriting. Any costs associated with the closing, including recording and legal fees, are the responsibility of the borrower.

Risk-Sharing loan closings will be conducted by KHC's Legal Department staff. There are three different types of closings that can occur on Risk-Sharing loan.

- Initial Closings: If Risk-Sharing funds will be used during construction, there will be a separate closing of the construction loan.
- Final Closing (Insured Advance): Once construction of a project that had an initial closing is complete, a final closing will be required, which converts the construction loan to a permanent loan.
- Insured Upon Completion: When a project will only use Risk-Sharing funds as a permanent loan source, the permanent closing will occur after construction is complete.

All the different closings listed above have separate checklists of the documentation needed for the closing. KHC's Multifamily Finance staff will work with you to ensure that the required documentation is submitted and will work closely with the owner during the entire closing process. **Please note that at this time, KHC will only offer Risk-Sharing funds as a permanent loan.**

When the loan documents are finalized and are satisfactory to both parties, KHC's Legal Department staff will request a copy of the updated title insurance commitment, which is required if KHC is providing funding in the form of a loan. A commitment of title insurance is provided by the applicant's closing attorney after a title search has been completed. The title insurance provided is for the protection of KHC as the lien holder. The original closing documents will not be sent to the applicant's counsel until the title commitment has been received. Funds requested at loan closing will not be disbursed until receipt of copies of the executed loan documents. The closing draw must include all closing fees due to KHC that were not received prior to closing (i.e., loan origination fee, processing fees, etc.). For subsequent draw requests, the original recorded documents must have been returned to KHC. Construction **cannot occur** until the original signed and recorded closing documents have been returned to KHC, unless an "early start" has been previously authorized by KHC.

Loan Closing Information

KHC's Legal Department will prepare a draft of the closing documents. These draft documents are reviewed by the Multifamily Finance Department staff for accuracy. Once this review has been completed and any necessary revisions have been made, information regarding KHC's closing procedures is sent to the owner's counsel, along with a draft of the closing documents, a Form of Opinion, and the marked up title commitment. KHC's multifamily specialist must be notified if the owner prefers to review the draft documents prior to the closing attorney. The owner is encouraged to include KHC's staff on any conference calls with other financial partners that are involved with the project. KHC's multifamily and legal staff will work together with owner's counsel on any additional revisions that may be needed. Once a final version is agreed upon by all parties, depending on the funding type, the following documents, and information request will be sent to the owner's closing attorney.

- HOME Funding Agreement, Exhibits A and B
- Note
- Mortgage
- Declaration of Covenants and Restrictions
- Construction Loan Agreement
- Opinion of Counsel (prior to closing KHC's Legal Department must receive draft)
- Title policy (your agreement or if are not issuing the title policy, evidence of the agreement of the title agent issuing final policy in conformance with the marked-up title commitment.)

The following endorsements should accompany the final Title Policy:

- ALTA 8.1 - Environmental Protection Lien
 - ALTA 9 - Restrictions, Encroachments, Minerals
 - ALTA 17 - Access and Entry
 - ALTA 18 - Single Tax Parcel
 - ALTA 25 - Same as Survey
 - Deletion of Arbitration
- Security Agreement
 - Assignment of Leases and Rents
 - UCC Filings (one County Recording and one State Recording)

After the closing has occurred, **executed originals of all loan documents (copies of all recordable documents), should be returned to KHC within 48 hours of closing. Original recorded documents, including a copy of the recorded deed, should be returned within two weeks of closing.** If the property will transfer ownership, the deed must show the transfer and be executed and recorded.

All post closing deliveries should be addressed to KHC's Multifamily Finance Department—Post Closing, 1231 Louisville Road, Frankfort, KY 40601. Construction cannot start until a copy of the recorded deed has been received by KHC, unless an early start has been approved by KHC in advance.

After execution, documents should be recorded in the following order:

1. Mortgage
2. Assignment of Leases and Rents
3. Declaration of Covenants and Restrictions
4. UCC -1 Fixture Filing (County Recording)
5. UCC -1 Financing Statement (Secretary of State's Office)

Draw Request Process for Funds at Closing

If the applicant will be requesting KHC funds for acquisition costs or reimbursement of pre-development soft costs, your Multifamily Finance specialist must be notified during the pre-construction/pre-closing stage. At least two weeks prior to the intended closing date, the completed [Universal Draw Request form](#) must be submitted, along with the appropriate documentation supporting the amount(s) requested.

Funds requested at loan closing will not be released until KHC receives copies of the executed loan documents and has approved the executed closing statement.

The closing draw must include all closing fees due to KHC that were not received prior to closing (i.e., loan origination fee, processing fees, etc.). For subsequent draw requests, the original recorded documents must have been returned to KHC. Construction **cannot occur** until the original signed and recorded closing documents have been returned to KHC.

Construction Information

Once the project has closed on all funding sources and/or Housing Credit equity and the notice of construction start has been received, KHC's construction specialist will begin making regular visits to the project to review progress and ensure the project conforms to all KHC funding requirements. A copy of all KHC-approved Plans and Specifications must be available at the projects site during inspections. At a minimum, the inspection visits will occur once a month, but KHC reserves the right to conduct inspections of the project at any time.

As outlined in the Project Review Agreement, which is signed and returned to KHC during the technical submission stage, KHC's construction specialist must be notified to complete the inspection of the following:

- Inspection of all footers prior to pouring.
- Inspection of rough-in on all units when mechanicals are installed and prior to drywall.
- Final Inspection when the unit is complete and ready for occupancy.

KHC's construction specialist will complete an inspection report for each visit listing the project status and any issues noted during their visit. This report will be e-mailed to the developer and anyone who is responsible for ensuring all issues and deficiencies are corrected.

Draw Requests During Construction

During construction, KHC's construction specialist will inspect the work progress and conduct regular monthly inspections. At a minimum, projects will be reviewed prior to footer placement, before drywall installation, and at final inspection. The second stage occurs midway through construction and the final stage occurs at construction completion. The number of inspections conducted will be left to the discretion of KHC's Design and Construction Department. The construction specialist will also inspect for pledged amenities made at application submission.

For projects using KHC funds for construction, during the monthly inspection, the construction specialist will review the requested construction costs and will sign the KHC [draw request](#) approving only the hard costs. All other costs will be approved by the post closing specialists. KHC will not pay for materials

stored off-site. KHC will disburse funds for materials stored on-site if they are insured, invoiced, properly stored, and secure. Draws are limited to one draw per month and must be signed by a KHC inspector.

In projects where KHC has awarded both amortizing and deferred or forgiven loan funds, the amortizing loan funds must be disbursed first, taking priority over deferred or forgiven loan funds.

KHC will disburse up to 40 percent of the developer fee up front. The remaining 60 percent of the developer fee will be disbursed on a percentage basis in line with the percent of work completed. Construction contingency funds will not be awarded unless change orders have been submitted to the KHC construction specialist and approved by KHC's director of Design and Construction Review.

KHC will retain 10 percent of the total of all KHC funds until final inspection is complete and all final documents are received and approved. Projects that use KHC's HOME funds may draw down all but 5 percent of the HOME funds once all closeout documents, except the project completion report, have been submitted. The final 5 percent of HOME funds may be drawn after the project completion report has been submitted. **All HOME projects must submit a draw request for HOME funds at a minimum of once every 12 months, otherwise the project will be deemed inactive by HUD.**

If funds are to be provided by EFT or wire transfer, the applicant must submit original EFT or wiring instructions. Please use the appropriate EFT or wiring instructions form located on KHC's Web site.

Construction Draw Policies

1. All draw requests must be e-mailed to KHC along with any applicable supporting documentation.
2. All draw requests must be submitted on a fully executed and completed [KHC Universal Draw Request Form](#). The applicant is certifying that all funds will be disbursed within five business days of the receipt of funds. The architect (if applicable) is certifying that all work, labor, and materials are satisfactory and in accordance with approved plans and specifications.
3. Each project is limited to one draw request per month.
4. A [pre-construction conference](#) must be held at KHC's offices prior to the start of any construction activities. At KHC's discretion, the pre-construction conference may be waived or may be conducted on the project site by the KHC construction specialist.
5. At least two weeks prior to the start of construction activities, KHC must receive the [Notification for Construction Start-up Form](#).
6. KHC construction specialists must approve all construction [draw requests](#). Typically, the approval is provided by signing the draw request the day of inspection. The construction specialist will approve all hard cost line items. The construction specialist may modify draws for hard costs at the time of inspection by notating the reason for the change and initialing the change. KHC program staff will review all requests for soft costs.
7. An updated Title Endorsement must accompany each draw request. It must reflect the actual amount of the proposed disbursement and the total amount disbursed to date. If the title endorsement is prepared prior to inspection and the draw amount is revised, the title endorsement must be revised to reflect the new amount before any funds will be released. An endorsement is only good for ten days. The following documentation is required for each [draw request](#):

- ✓ KHC [Universal Draw Request form](#).
- ✓ Title Endorsement to Title Policy (KHC will accept a faxed or e-mailed copy).
- ✓ Builder's or Contractor's Affidavit of lien waiver (must be submitted with every draw).
- ✓ AIA form G-702 and G-703 (if using an architect), or KHC Payment Request Form.
- ✓ Copies of invoices, receipts, etc., for payment of soft costs (and hard costs if an architect is not involved).

Each draw request for payment associated with projects for which KHC holds a mortgage, i.e., rental and lease-to-own projects, must include a title update. It is recommended that applicants limit the number of draw requests, thereby reducing the cost and number of title updates. The language that must be included in the title endorsement and update is as follows:

*"A disbursement of \$XX (amount of current draw) was made under the Insured Mortgage. The title search was duly continued down to **DATE** at **TIME** (should be the same date the draw was submitted) and all encumbrances disclosed by the search were disposed of, except (note any exceptions on Schedule B). Liability under the policy is now increased to \$XX (total drawn under the loan), the total amount disbursed to date under the Insured Mortgage."*

The title endorsement should reference the name of the borrower and the policy number, as well as the name of the insured party for ease in reference. Please note that title endorsements are only valid for ten days from the date of issuance.

Change Orders

All change orders to the approved plans and specifications must be submitted to KHC for review and approval at the time the change is needed. **Change orders submitted after the completion of the work to be changed will not be approved, unless prior authorization is given by KHC in writing.** If KHC's inspectors are unable to review the work at the time of the change or the change order is held and submitted at the end of construction, the change order may not be approved. Change orders must be signed by the construction specialist prior to submitting them to KHC for approval. If KHC is providing funds to the project, the draw requesting the contingency funds needed for the change order, will not be processed until the change order has been approved by Design and Construction. **Unless previously approved, change orders are processed as a draw against the budgeted contingency funds. The balance of any unused contingency funds will be deducted from the final retainage budget and the applicable loan modifications will be prepared.**

Please note: For Housing Credit-only projects, KHC also requires that any change orders be reviewed and approved.

CHAPTER 6: Construction Completion/Placed-In-Service Stage

All projects are required to submit final close out documentation, which may include project completion reports, certificates of occupancy, and final draws. If Risk-Sharing funds are being utilized, there will be a final closing or an insured upon completion loan, and additional documentation may be required. When necessary, certain documents may be forwarded to an outside agency (i.e., HUD) for approval before the funds for the final draw can be released

A final inspection will be conducted by the architect (if applicable), the contractor, and KHC's construction specialist. The final inspection will cover all interior and exterior items. A final punch list of items still needing completion will be submitted by the construction specialist. A follow-up inspection will be conducted to verify all punch list items have been addressed and completed. The 10 percent retainage held during the construction phase will **not** be released until a final inspection report has been received showing all punch list items have been completed and all project completion documents are received and approved. Risk-Sharing projects are also required to be inspected one year after construction completion. This inspection will be completed by a KHC construction specialist.

Required Documents

Once construction has been completed, the following items will be required to close out the project and release any remaining funds that are held for retainage, as applicable.

CC1-1 Final As-built Survey

(Required on projects utilizing Risk-Sharing funds only)

A surveyor licensed in the State of Kentucky must prepare the survey. The survey shall show all conditions as they exist after construction is completed. It must show all utilities, easements, right-of-ways, and setbacks. The survey is to have the surveyor's signature, stamp, and seal, and must be dated within 120 days.

CC1-2 Certificate of Substantial Completion

(Required on projects of 12 units or more, or if an architect was involved)

The architect shall issue a Certificate of Substantial Completion after he/she has made a final inspection and finds the project is complete. The standard form used is the AIA G-704.

The KHC construction specialist will do a follow-up inspection once all punch list items have been corrected and/or resolved.

CC1-3 Certificate of Occupancy

*(Required on **all** projects)*

It is the responsibility of the contractor or applicant to contact the local officials in the area to inspect and issue the Certificate of Occupancy. A certificate of occupancy must be issued for each building in the project. If certificates of occupancies are not issued in the county of the project location, the developer will need to receive approval in the form of a letter from the Department of Housing, Building, and Construction in Frankfort, Kentucky.

CC1-4 Termite Certificate

*(Required on all **new construction** projects)*

A termite certificate issued by licensed pest control company must be provided as evidence the building(s) and surrounding foundation(s) were treated to prevent the infestation of termites.

CC1-5 Termite Inspection Report

(Required on all rehabilitation and adaptive reuse construction projects)

A termite inspection report must be provided as evidence the building(s) were inspected by a licensed pest control company for the presence of termites. The report must indicate whether termites were present or not. If evidence of termites was found the report should indicate the building(s) were treated for termite infestation.

CC1-6 Proof of Lead-Based Paint Abatement and Clearance

(Required for projects built prior to 1978 and funded with HOME, Risk-Sharing, and Project-Based Section 8)

A copy of the Certificate of Clearance provided by the abatement company must be provided as proof.

CC1-7 Final HERS Index Certification

(Required for projects using the optional HERS rating system)

If the project utilized the HERS rating system, the HERS rater will conduct on-site inspections, typically including a blower door test (to test the efficiency of the structure) and duct test (to test the efficiency of the ducts). Results of these tests, along with inputs derived from the plan review, are used to generate a final HERS Index for the structure. The final HERS index certification, signed by the same HERS rater who performed the pre-construction HERS index certification during technical submission, must be submitted in order for the project to be placed-in-service.

CC2-1 Project Completion Report (PCR)

(HOME projects only)

The PCR is a reporting of the project's final sources of funds and designation of the fixed or floating HOME units at initial occupancy. It is completed when all HOME units have been leased up. Only the HOME units are shown on the report. The total activity cost must match the total project cost on the Final Funds Expenditure Statement.

The final retainage of HOME funds will not be released until the PCR and Final Funds Expenditure Statement are received and complete. All documents needed to complete the PCR can be found on KHC's Web site, www.kyhousing.org, under Housing Production, Multifamily Finance, Reference Materials, [Rental HOME Packet](#).

CC2-2 Final Funds Expenditure Statement

(HOME projects only)

The [Final Funds Expenditure Statement](#) is a reporting of the final uses of all funding sources. If two different funding sources are used for one line item, the amount allocated to each funding source must be broken out. The total project cost must match the total activity cost on the PCR.

CC2-3 Section 3 Report

(Federally funded projects with contracts over \$200,000 and subcontracts over \$100,000)

The [Section 3 Report](#) provides information regarding any employment, job training, contracting and subcontracting opportunities given to low- and very low-income persons as a result of the HUD funds used for the project. More information regarding Section 3 requirements can be found on KHC's Web site, www.kyhousing.org, under Housing Production, Multifamily Finance, Reference Materials, [Rental HOME Packet](#).

CC2-4 Minority Business Enterprise/Women Business Enterprise (MBE/WBE) Report

(Required on projects funded with HOME or Risk-Sharing)

The [MBE/WBE report](#) identifies the contracts awarded to minority and female businesses. The MBE section reports the racial classification and number of contracts and the associated amount awarded to minority contractors and subcontractors. The WBE section reports the gender classifications and number of contracts and their associated amount awarded to contractors and subcontractors.

CC3-1 Final Draw

When all final completion documentation has been submitted and approved, a [final draw](#) for the retainage of KHC funds can be requested. The final draw may include construction interest due to KHC, escrows for taxes and insurance, etc. The final draw will not be approved until the final inspection, project completion reports, and/or final endorsements/modifications to the note have been received.

CC3-2 Copy of Most Recent Property Tax Bill

(Required if KHC will be escrowing for taxes)

KHC requires a copy of the most recent property tax bill, which will be used to establish the amount to be collected and placed in the escrow account for future property tax bills.

CC3-3 Proof of Final Property Insurance

Declaration page from the final property insurance policy is required if KHC has a mortgage on the property or will be escrowing for insurance. The annual premium amount will be used to establish the amount that needs to be collected and placed in the escrow account for future insurance bills. KHC must be listed as an additional insured on the policy.

CC3-4 CP 575 D (Notice of New Employer Identification Number) or W-9 form

(Required for projects with KHC loan funds)

This is required for all projects with loans to for-profit and nonprofit entities that are not tax exempt. This form is required for all projects that KHC maintains the Reserve for Replacement account. The [W-9 form](#) can be found on KHC's Web site, www.kyhousing.org, under Housing Production, Multifamily Finance, Reference Materials, [Technical Submission Packet](#).

CC3-5 Copy of Management Contract

(For projects utilizing a management company)

A copy of the management contract between the owner and the management company is required for compliance monitoring purposes.

CC3-6 Operating Deficit Reserve/Reserve for Replacement/Tax and Insurance Escrow Certification

If the certification was not submitted at the technical submission stage or if it has changed since the original submission, an updated copy must be provided at project completion. All applicants must certify that Operating Deficit Reserve and Reserve for Replacement accounts have been or will be established and identify the banking institution and amount of the reserve accounts. The applicant must also identify where the tax and insurance escrow accounts will be held. This [form](#) can be found on KHC's Web site, www.kyhousing.org, under Housing Production, Multifamily Finance, [Technical Submission Packet](#).

CC3-7 Final Cost Certification

(Required on projects utilizing Risk-Sharing or Housing Credits)

A Certified Public Accounting firm shall prepare the cost certification immediately upon the completion of the construction. It should contain all costs associated with the construction of the project. KHC staff shall determine its acceptability.

The cost certification must include a cost breakdown by building and a sources and uses of funds statement.

For Risk-Sharing projects, the cost certification will be used to determine the maximum insurable mortgage. A closing date will not be scheduled until the cost certification has been approved.

CC3-8 Equal Employment Opportunities Commission (EEOC) Certificate

(Required for Housing Credit Projects only)

The EEOC certificate is a report certifying the contracts awarded to minority and female owned businesses. In addition, developers are required to report their efforts to hire minority- and women-owned businesses.

The MBE (Minority Business Enterprises) section reports the racial classification and the number of contracts and their associated amount awarded to minority contractors and subcontractors

The WBE (Women Business Enterprises) section reports the gender classifications and number of contracts and their associated amount awarded to contractors and subcontractors.

Housing Credit Documentation

To obtain the LURA or extended use agreement, as well as the IRS Form 8609, additional information must be submitted. This information will be submitted as one package to the KHC's Tax Credit administrator. The LURA will be prepared and mailed to the owner for signature and recording. Once it is returned, the original IRS Form 8609 will be mailed to the owner for both the 4 percent and 9 percent credit allocated to each building.

Following is a list of the documents required to obtain the LURA and the IRS Form 8609.

1-1 Exact name, address and federal tax ID number for the owner as it will appear on the IRS Form 8609.

1-2 Exact street address including zip code for all the buildings in the project.

1-3 Application for Issuance of Certification of Allocation Form 8609.

A completed [Request for Issuance of Low Income Housing Tax Credit Allocation and Certification \(IRS Form 8609\)](#) packet must be sent to KHC's Tax Credit administrator. The application for Issuance of Certification of Allocation Form can be found on KHC's Web site, www.kyhousing.org. The following documentation must be submitted as part of this request form:

- Final Cost Certification with Sources and Uses of Funds statement (certification must be provided by an independent Certified Public Accountant).

- [Certification of the project sources and uses](#) by the owner and investor. This form is located on KHC's Web site under Housing Production, Multifamily Finance, [Reference Materials](#).
- Certificate of Occupancy for each building or for rehabilitation projects a letter from owner certifying the buildings' place-in-service date.
- Copy of Title Policy.
- Copy of Final Syndication Agreement.
- Completed [Owner Certification of Federal, State and Local Subsidy Form](#). This form is located on KHC's Web site under Housing Production, Multifamily Finance, [Reference Materials](#).
- [IRS Form 8821](#), Tax Information Authorization. This form is located on KHC's Web site under Housing Production, Multifamily Finance, [Reference Materials](#).

The information received in this packet will be used by KHC's Tax Credit administrator in the preparation of the LURA and IRS Form 8609. The LURA will be mailed to the owner to be signed and recorded. The IRS Form 8609 will be mailed to the owner once the executed LURA has been received by KHC.

CHAPTER 7: Funding Sources and Requirements

The following program requirements are not intended to be an all-inclusive list of all requirements of each program but are intended for guidance and information when selecting a funding source. Contact your program specialist with any questions.

Special notes applicable to all KHC funding sources:

- Each KHC funding source may require a separate deed restriction to be recorded against the property. The terms of the deed restriction(s) may vary by funding source.
- With the exception of Risk-Sharing loans, KHC funds may not be used to pay any fees, interest, loan balances, or other amounts due to KHC.

Small Multifamily Affordable Loan (SMAL) Program

- Eligible applicants may be nonprofit organizations, for-profit entities, and units of local government.
- SMAL can be used for construction loans and/or permanent mortgage loans. Interest rates are the same for both construction and permanent financing.
- Projects cannot exceed 11 units. The total number of units on contiguous lots may not exceed 11 units.
- Eligible rental activities are new construction, substantial rehabilitation, acquisition/new construction, and acquisition with rehabilitation.
- SMAL funds cannot be used for refinancing.
- Eligible households must have incomes at or below 120 percent of the Section 8 area median income (AMI) limits.
- Rents should be projected at 30 percent of the income level of the targeted population and may not exceed the rent limits as published for this program.
- The SMAL Program may be combined with other KHC funds, such as HOME, Affordable Housing Trust Fund, the Housing Development Fund, Project-Based Section 8, and Housing Credit. SMAL may also blend with many sources of funding outside KHC.
- When combining SMAL funds with other KHC loan funds, the amount of the SMAL loan may not be less than the amount of the HOME or AHTF loan, as applicable. The maximum HOME and AHTF loan requirements still apply.

SMAL Program Financial Requirements

- SMAL loans are recourse loans.
- The maximum loan amount requested **cannot** exceed 90 percent loan-to-value or the loan amount supported by a 1.20 DCR in year one (whichever is lower). The DCR must remain at or above a 1.0 throughout the affordability period.
- Interest rate requested cannot be lower than 3.5 percent but will be determined based on what the project can support.

- The term of the loan shall not exceed 30 years.
- A deed restriction will be recorded against the property for the life of the loan. If the SMAL loan is paid off early, the deed restriction will remain in effect for the original term of the loan.
- An origination fee of 1 percent of the mortgage amount will be charged and is eligible as a project soft cost. This fee will be paid at the loan closing.
- If the project is not placed-in-service by the deadline noted in the SMAL commitment, a 30-day extension may be requested by payment of a construction extension fee of .00375 percent (3/8 of one percent) of the SMAL loan amount. Up to three 30-day extensions may be requested; however, each extension will incur the extension fee.
- The vacancy rate for this program will be projected at 10 percent.
- Income and expenses from supportive services cannot be used to pay debt service. These services must be kept separate from the housing component.
- The pro-rata share of SMAL to the total development costs determines the number of units that must meet the SMAL income and rent requirements.

Example:	SMAL requested:		\$500,000
	Total project cost:	÷	<u>\$800,000</u>
	SMAL percentage:		62.5%
	Total rental units:		11
	SMAL Percentage:	x	<u>62.5%</u>
	SMAL units:	=	6.875 (always round up)

The number of required SMAL units would be seven.

Please refer to the [SMAL Rent and Income chart](#) for the maximum rent and income limits for this program. These can be found on KHC's Web site, www.kyhousing.org, under Housing Production, Multifamily Finance, [Reference Materials](#).

SMAL Compliance Requirements

(Please refer to KHC's Web site, www.kyhousing.org, under Housing Production, [Asset Management Compliance Monitoring](#), for additional requirements).

Annual compiled financial statements, on the project only, must be mailed to KHC's Asset Management Department within 120 days of the end of the project's fiscal year. The compilation shall be prepared by a third party certified public accountant in accordance with generally accepted auditing standards and government auditing standards. New multifamily projects that have been placed-in-service must provide periodic reports as required by Asset Management.

- HOME funds are provided in the form of an amortizing loan, deferred loan (due at maturity), or a forgivable loan (forgiven at maturity). Forgivable loans will only be considered for projects with nonprofit owners and that demonstrate the need for such a loan and cannot support any debt service. For HUD 202/811 projects only, KHC may approve the use of deed restrictions in lieu of a mortgage to secure the HOME loan. This will be reviewed on a case-by-case basis. Interest rates on loans are flexible and the loan term, at a minimum, must be equal to the required affordability period, but may not be more than 30 years. Interest will not be charged during the construction period of the loan. If HOME funds are requested in the form of an amortizing loan, the interest rate must be at least 3.5 percent or higher to not be counted as a KHC subsidy. If the interest rate is below 3.5 percent, or if the funds are requested as a deferred or forgivable loan, the HOME funds will be considered as a KHC subsidy for scoring purposes.
- Projects utilizing HOME funds must adhere to the lease provisions of 24 CFR 92.253.
- **An environmental review is required** and shall be carried out following the National Environmental Policy Act of 1969, and related laws, in accordance with 24 CFR, Part 58. KHC's environmental specialist will conduct this review.
- The federal **Davis-Bacon Act** wage rate requirements apply to contracts for the development of 12 or more HOME assisted/designated units. The Davis-Bacon Act requires that workers receive no less than the prevailing wages being paid for similar work in the locality. Prevailing wages are computed by the U.S. Department of Labor and are issued in the form of a Federal Wage Determination. The Wage Determination lists each classification of workers who will work on the project and the rates that must be paid to each classification.

HOME Financial Requirements

- HOME loans (deferred, forgiven or amortizing) are **recourse** loans.
- For projects of 11 units or less, a vacancy rate of 10 percent should be projected, and for projects of 12 units or more, a 7 percent vacancy rate should be projected.
- All proposed developments requesting HOME funds are required to provide a minimum of 5 percent HOME-eligible match of the total HOME funds requested. Match information can be found in [Chapter 8 Financial Requirements for All Funding Sources, Match](#).
- For units designated as low-HOME units that are also receiving Project-Based Rental Assistance, the maximum rent may be either the low-HOME rent or the rent allowable under the Project-Based Rental Assistance program, provided the tenant pays no more than 30 percent of their adjusted gross income toward rent. To achieve a greater cash flow, the Project-Based rents may be more advantageous. However, please note that this option does **not** apply to high-HOME units or to units receiving **Tenant Based Rental Assistance**.
- HOME rental developments with less than five HOME-assisted units must have all HOME units occupied by households at or below 60 percent of the AMI. A project consisting of five or more HOME-assisted units must have at least 20 percent of the HOME units occupied by households at or below 50 percent of the AMI.
- A development that uses KHC-administered HOME financing must designate a proportionate amount of units as HOME units based on the percent of HOME funds in the development as compared to total development cost. If the project has five or more HOME units, 20 percent of the HOME units must be at the low HOME rent/income limit or less. The remainder of the designated HOME units cannot exceed the high HOME rent/income limit.

Example:	HOME amount requested:	\$300,000
	Total project cost:	/ \$2,000,000
	HOME percentage:	<u>15%</u>
	Total rental units	30 units
	HOME percentage:	x <u>15%</u>
	HOME units:	= 4.5 (always round up)

If the formula calculates less than five units, then all units may remain at the high HOME rent level. If five or more, 20 percent of that amount must be rented at the low HOME rent.

Total HOME units	5 units
	x <u>20%</u>
Total low HOME units:	= 1.00
<i>(Any fraction of one unit must be rounded to one unit)</i>	

In this instance, the project must have at least one unit rented at the low-HOME rent level.

The high and low HOME rental units must be proportionately spread out by unit type. Using the example above of four units at high HOME rent and one at low HOME rent, the distribution is as follows:

<u>30 total units</u>
12 – 1 BR units
18 – 3 BR units

The HOME percentage as shown above is 15 percent. This percentage is applied to each bedroom type.

12 X 15% = 1.8, therefore 2 (1BR) units
18 X 15% = 2.7, therefore 3 (3BR) units

- The second test when using HOME funds is the subsidy-per-unit test. Once the number of HOME-restricted units has been determined, it must be determined if the amount of HOME requested is within the required limits. Multiply the HOME units by bedroom type by the applicable HOME subsidy limit.

Example:	HOME subsidy limit:	1BR	\$ 90,796
		2 BR	\$110,407
	Requested subsidy:		\$300,000
	Located in Frankfort		
	2 (1BR) units X \$ 90,796 =		\$181,592
	3 (3BR) units X \$110,407 =		<u>\$331,221</u>
	Total allowable subsidy		\$512,813

The requested \$300,000 HOME subsidy does not exceed the allowable limit.

- At the time of application, the applicant will be required to select “fixed” or “floating” HOME units.
 - **Fixed:** When HOME units are “fixed,” the specific units that received HOME assistance (and therefore are subject to HOME rent and occupancy requirements) are permanently designated and never change.

- **Floating:** When HOME-assisted units are “floating,” the units that are designated as HOME units may change over time as long as the total number of HOME-assisted units in the project remains constant.

The floating designation gives the owner some flexibility in assigning units and can help avoid stigmatizing the HOME-assisted units.

Please refer to KHC’s Web site, www.kyhousing.org, under Housing Production, Multifamily Finance, Reference Materials, for the [HOME maximum rent and income limits](#).

HOME Relocation Requirements

All HOME-funded acquisition and rehabilitation projects are subject to the requirements of the **Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970** (49 CFR, Part 24 and 42 U.S.C. 4201-4655). KHC requires certain documentation at application, technical submission, and at the Construction Completion/Placed-in-Service stages to ensure compliance with the provisions of this act. Developers are strongly urged to review the requirements of URA and contact a program specialist or KHC’s environmental/ relocation specialist if considering a project that involves acquisition of real property or the permanent or temporary relocation of individuals or households.

Detailed information on complying with the relocation and acquisition requirements can be found on the HUD Real Estate Acquisition Web page at <http://www.hud.gov/offices/cpd/library/relocation>.

Conflict of Interest

The HOME regulations state that no owner, developer, or sponsor of HOME-assisted housing, including their officers, employees, agents, or consultants, may occupy a HOME-assisted unit in a development. The provisions do **not** apply to:

- a. An individual receiving HOME funds to acquire or rehabilitate his/her principal residence.
- b. An individual living in a HOME-assisted rental housing development where he/she is a project manager or a maintenance worker in that development.

Exceptions to this conflict of interest provision (for governing owners, developers, and sponsors of HOME-assisted housing) may be granted by the participating jurisdiction on a case-by-case basis based on the following factors as set forth in the regulations:

- Whether the person receiving the benefit is a member of a group or class of low-income persons intended to be the beneficiaries of assisted housing, and the exception will permit him or her to receive generally the same interest or benefits as are being made available or provided to the group as a whole.
- Whether the person has withdrawn from his or her functions or responsibilities or the decision-making process with respect to the specific assisted housing in question.
- Whether the tenant protection requirements of CFR 92.253 (prohibited lease terms, termination of tenancy, and tenant selection) are being observed.
- Whether the affirmative marketing requirements are being observed and followed.
- Any other factor relevant to the participating jurisdiction’s determination, including the timing of the requested exception.

HOME Compliance Requirements

- If the legal documents between KHC and the project owner require annual financial statements, a compilation of the annual financial statements for the project only (must not include other agency funds/activities, the project would have its own balance sheet, income statement, and cash flow statement) will be required within 120 days of the end of the project's fiscal year. This should be a full disclosure compilation or audit conducted by a certified public accountant. It should include a balance sheet, profit and loss (income statement), and statement of cash flows. If the agency is required to submit an audit under the Single Audit Act, OMB Circular A133, KHC will accept the agency-wide audit but may ask for additional project-specific information if it is necessary to evaluate the stability of the project. Financial statements must be mailed to KHC's Asset Management Department within 120 days of the close of the projects fiscal year end. New multifamily projects that have been placed-in-service must provide monthly reports as required by Asset Management. Please note: Failure to submit the required annual financial statements will be considered by KHC in future funding proposals.
- Separate from the KHC requirements, nonprofits and local government applicants that have expended \$500,000 or more in aggregate of federal funds, including HOME funds, during its fiscal year must procure and have completed annual audits in the form of CPA-prepared financial statements with management letter within 120 days after the close of the applicant's fiscal year. These financial statements must include a balance sheet, operating statements, source and use of funds statement, Schedule of Expenditures of Federal Awards, and sufficient supporting schedules. Audits must also be conducted in accordance with the provisions of OMB Circular A-133 and the Single Audit Act of 1996. If the applicant has drawn \$500,000 or more of federal funds in their fiscal year, the audit must be submitted to the Audit Clearinghouse. Any agency that has a finding in such audit must submit a copy of that audit to KHC and provide evidence that the finding has been corrected or is being corrected.
- Each HOME-assisted unit must remain in compliance with HQS throughout the affordability period. HQS guidelines are outlined in 24 CFR § 982.401 of the regulations. The owner of the property is responsible for inspecting each unit annually and retaining documentation of the inspection in tenant's file.
- Each HOME-assisted rental unit must ensure continued affordability to low-income families. It will be the responsibility of the applicant to ensure that the appropriate HOME rent limits are not exceeded for the duration of the affordability period. If the project also received funding from Housing Credits, Historic Housing Credits, or any other funding source, the most restrictive of the limitations applies.
- KHC requires that 100 percent of all HOME-assisted rental units serve households at or below 60 percent of the AMI at the time the family moves in. If more than five units are assisted with HOME funds, 80 percent of the units must be reserved for households at or below 60 percent of the AMI and charged the high HOME rent or Fair Market Rent (FMR), whichever is less. The other 20 percent of the units must be reserved for households at or below 50 percent of the AMI and charged the low HOME rent or FMR, whichever is less. KHC will update its Multifamily Finance Web page each year with the new releases for rent and income limits.
- In some instances, residents of HOME rental units may be receiving Tenant-Based Section 8 rental assistance. Please note, the applicable HOME rent limit may be less than the Section 8 FMR. At no time may the gross rent exceed the applicable HOME rent limit unless the unit is receiving Project-Based Section 8 rental assistance, the household makes 50 percent or less AMI, and is designated a low HOME unit.

- When leasing mixed funding projects, owners/managers must assure:
 - A sufficient number of units are leased or held available for lease to HOME-eligible tenants in order to meet the low- and very-low income targeting requirements of the program.
 - Rents charged to tenants in the HOME units are within the high and low HOME rent limits published by HUD.
- If a project is utilizing both Housing Credits and HOME, the tenant's rent may never exceed the Housing Credit program limits, regardless of the household's income.
- HOME rents may decrease. While project rent levels are not required to decrease below the HOME rent limits in effect at the time the HOME Funding Agreement is executed, a change in market conditions may force owners to reduce the HOME rents in order to retain tenants.
- The Annual Performance Report is required yearly for developments utilizing **HOME funds** once all funds have been drawn and construction is completed.
- Records must be retained for five years after the project completion date. Records of individual tenant income verifications, project rent, and project inspections must be retained for the most recent five-year period, until five years after expiration of the affordability period.
- New multifamily projects placed-in-service must provide periodic reports as required by KHC's Asset Management Department.

Affordable Housing Trust Fund (AHTF)

AHTF funding is considered to be gap financing only. Any applications submitted requesting the entire funding amount to utilize AHTF funds will not be viewed as favorable.

Nonprofit applicants will complete a separate application for the AHTF funds and identify the project the AHTF funds are supporting in the application. The AHTF nonprofit or units of local government application is separate from the application for Housing Credit, HOME, and SMAL funds.

Each application must be completed by the eligible applicant and submitted to KHC by the deadline established.

- Eligible applicants for this source of funding are **nonprofit organizations**.
- Nonprofits must be a part of the ownership entity and materially participate in the project for the term of the loan.
- Nonprofits must be in good standing under the laws of the Commonwealth of Kentucky and registered with the Kentucky Secretary of State.
- Nonprofits are not affiliated with or controlled by any for-profit entity and one of the exempt purposes of the nonprofit includes the fostering of low-income housing.
- Nonprofits must meet the criteria defined as material participation in IRC Section 469(h) if combining AHTF with Housing Credits.
- Eligible activities include acquisition/new construction, acquisition with rehabilitation, and/or new construction of very low-income rental developments. There are three priorities with this funding:
 1. New construction projects.
 2. Projects using existing privately-owned housing stock.
 3. Projects using existing publicly-owned housing stock.

- Preference will be given to projects serving households below 30 percent of the AMI. However, AHTF may serve households up to 60 percent of the AMI.
- The affordability period for rental projects is 30 years.
- KHC shall require at least 40 percent of all AHTF funds to be used for rural areas of the Commonwealth, excluding the following cities and merged county governments, which are designated as urban areas: Ashland, Bowling Green, Covington, Elizabethtown, Florence, Frankfort, Georgetown, Henderson, Hopkinsville, Independence, Lexington/Fayette County, Louisville/Jefferson County, Nicholasville, Owensboro, Paducah, Radcliff, and Richmond.
- In combination with the above activities, AHTF can also be used to fund up-front services to residents, including budgeting and life skills development, homeownership counseling, tenant education, and self-sufficiency development. However, ongoing support services to keep clients in housing are **not** eligible activities.
- AHTF funds are provided in the form of an amortizing loan, deferred loan (due at maturity), or a forgivable loan (forgiven at maturity). Forgivable loans will only be considered for projects demonstrating the need for such a loan and cannot support any debt service. Interest rates on loans are flexible and the loan term will be 30 years. Interest will not be charged during the construction period of the loan. If AHTF funds are requested in the form of an amortizing loan, the interest rate must be at least 3.5 percent or higher to not be counted as a KHC subsidy. If the interest rate is below 3.5 percent or if the funds are requested as a deferred or forgivable loan, the AHTF funds will be considered as a KHC subsidy for scoring purposes.
- A 30-year deed restriction will be recorded against the property to secure the affordability period. If the AHTF loan is paid off early, the deed restriction will remain in effect.
- The AHTF closing documents must be executed in the eligible applicant's name.
- AHTF rental developments can serve households with incomes at or below 60 percent of the AMI. You can refer to the HOME income chart to find the maximum income limits used for the AHTF program. This chart can be found on KHC's Web site, www.kyhousing.org, under Housing Production, Multifamily Finance, [Reference Materials](#).
- While there are not published rent limits for this program, it is expected that the proposed rents will be proportionate with the income level being served, unless some form of rental assistance is being provided. As noted above, there are no rent limits for this program but the HOME rent chart can be used as a guide.
- AHTF can be blended with other KHC funds, such as HOME, SMAL, Housing Development Fund, Project-Based Section 8, and Housing Credits. AHTF also has the potential to be blended with many sources of funding outside of KHC. If AHTF is allocated to a Housing Credit project, the AHTF award must be made to a nonprofit agency. The nonprofit will then loan the AHTF funds to the project with an assignment to KHC. The nonprofit will be partially responsible for continued compliance as well as the developer.

AHTF Relocation Requirements

All very-low income persons (defined as 60 percent AMI and below) displaced by the project must be provided reasonable relocation expenses. Reasonable relocation costs equal the applicable dollar amount as defined by the U.S. Federal Highway Administration's Uniform Relocation Assistance and Real Property Acquisition Policies Act, as Amended, [Fixed Residential Moving Cost Schedule](#), plus a one-time assistance payment of \$300 per applicable unit. In the event displaced persons are eligible for federal

relocation benefits, no additional relocation benefits are required as a result of this policy. Also, all projects involving current tenants (regardless of whether or not the tenants will be relocated) must submit a relocation plan.

AHTF Financial Requirements

- AHTF loans are non-recourse.
- The amount of developer fee (including any fees for consulting services) paid for with AHTF funds cannot exceed 5 percent of the total AHTF award for the project.
- Interest rates are flexible and start at zero percent.
- Loan terms shall not exceed 30 years.
- For projects of 11 units or less, a vacancy rate of 10 percent should be projected, and for projects of 12 units or more, a 7 percent vacancy rate should be projected.

AHTF Compliance Requirements

- If a project is receiving AHTF only, and no other KHC financing, the owner/manager is required to verify and document the tenant's income at initial move-in and to recertify the tenant's income annually to determine that the rent being charged is affordable as compared to the population being served. (Although not required, the industry norm to define affordability is 30 percent of a household's monthly income). The Section 8 method for verifying income is not required for AHTF-only projects, but the same verification method must be used for all tenants.
- If the legal documents between KHC and the project owner require annual financial statements, the project would be required to submit compiled annual financial statements within 120 days after the end of the project's fiscal year. These statements must be prepared by a third-party certified public accountant and sent to KHC's Asset Management and Compliance Department. Please note that failure to submit the required annual financial statements will be considered by KHC in future funding proposals.
- New multifamily projects that have been placed-in-service must provide periodic reports as required by KHC's Asset Management Department.

Risk-Sharing

As a directive of Section 542 of the Housing and Community Development Act of 1992, HUD authorized qualified state and local housing finance agencies to participate in the Risk-Sharing Program. As a result, KHC is authorized by HUD to process and underwrite Risk-Sharing loans. Risk-Sharing is a mortgage insurance program in which the risk is shared between KHC and HUD. There are two approval levels. As a Level I participant, KHC would share in 50 percent of the risk with HUD. As a Level II participant, KHC would share in 25 percent of the risk with HUD.

Requirements for the Risk-Sharing Program are:

- Risk-Sharing provides financing for multifamily projects of five units or more.
- At this time, Risk-Sharing funds may only be used for permanent loans.
- For the 2014 funding year, the amount requested for a project cannot exceed \$700,000.

- Risk-Sharing funds must be used in conjunction with the Low Income Housing Tax Credit Program.
- Eligible applicants for this program are nonprofit and for-profit entities.
- Eligible rental activities are limited to new construction, acquisition with new construction, acquisition with substantial rehabilitation, substantial rehabilitation, and adaptive reuse.

The ownership must be in the form of a single-asset entity. Each principal, as defined in [Chapter 4 of the HUD Handbook 4590.01 REV-1](#), must disclose all past participation in HUD-FHA programs (except single family home mortgages) and the nature of their proposed project. Principals must disclose their previous participation by completing the [HUD 2530 form](#) (PDF version) or through the [Active Partners Performance System \(APPS\)](#). Limited liability investor entities associated with the project must complete the [Identification and Certification of Eligible Limited Liability Investors](#) form and upload with the project's technical submission documents.

- All projects must qualify as affordable residential rental housing. To be considered as such, the project must meet the following requirements:
 - A project in which 20 percent or more of the units are both rent-restricted and occupied by persons whose income is 50 percent or less of the [AMI as determined by HUD](#), with adjustments for household size.
 - A project in which 40 percent or more of the units are both rent-restricted and occupied by persons whose income is 60 percent or less of the AMI as determined by HUD, with adjustments for household size.
- “Rent-restricted” means that gross rent for a unit does not exceed 30 percent of the imputed limitation applicable to such unit.
 - Because the Risk-Sharing Program does not have posted rent and income limits, the Housing Credit rent and income limits are used to determine the maximum rent and income limits for each unit type.
- The affordability period shall be equal to the term of the original first mortgage loan.
- A deed restriction equal to the term of the loan will be recorded against the property for the affordability period. If the Risk-Sharing loan is paid off early, the deed restriction will remain in effect.
- An environmental review is required and shall be carried out following the National Environmental Policy Act of 1969 and related laws and authorities in accordance with 24 Code of Federal Regulations (CFR) Part 58. KHC’s environmental specialist will conduct this review.
- The Federal Davis-Bacon Act wage rate requirements apply to new construction and substantial rehabilitation projects of 12 or more units when the Risk-Sharing Program is used for construction financing. Davis-Bacon requirements do not apply when the Risk-Sharing funds are utilized solely for permanent take-out. The Davis-Bacon Act requires that workers receive no less than the prevailing wages being paid for similar work in the locality. Prevailing wages are computed by the Department of Labor and are issued in the form of a Federal Wage Determination. The Wage Determination lists each classification of workers who will work on the project and the rates that must be paid to each classification.

Risk-Sharing Financial Requirements

- The maximum loan amount cannot exceed \$700,000.
- The loan term may be up to 40 years.
- Loans must be amortized over the term of the mortgage.
- The mortgage must be in first lien position on the property.
- Risk-Sharing loans are non-recourse loans.
- The maximum loan amount requested cannot exceed 90 percent loan to value, which will be determined by the appraisal during the technical submission stage.
- Risk-Sharing loans are required to have a minimum debt coverage ratio of 1.25 in year one and must remain positive through year 15.
- For projects of 11 units or less, a vacancy rate of 10 percent should be projected and for projects of 12 units or more, a 7 percent vacancy rate should be used.
- Risk-Sharing funds may not be used to pay any portion of the developer fee.
- A monthly Mortgage Insurance Premium (MIP) of 0.5 percent is required for loans under this program and will automatically be calculated in the underwriting model.
- Applicants should assume a taxable interest loan rate, exclusive of MIP. This rate is for underwriting purposes and is subject to change as the market changes. Please contact your program specialist for the applicable rate.
- The following fees are associated with Risk-Sharing funding. These fees should be included in the Sources and Uses.
 - ✓ Application Fee of \$3,000 due with the Housing Credit reservation fee.

The following fees are due at the time of closing:

- ✓ Loan origination fee of 3.0 percent of the loan amount.
- ✓ Financing fee of 2.0 percent of the loan amount
- ✓ Technical processing fee of 0.3 percent of the loan amount.
- ✓ Upfront MIP equal to 0.5 percent of the loan amount will be due at the closing of the permanent mortgage.
- ✓ Closing fee of \$5,000. The title policy cost is not included in the closing fee.

Risk-Sharing Compliance Requirements

- Risk-Sharing requires all projects to be audited annually in conformance with the HUD Consolidated Audit Guide. Audits must be submitted to KHC no later than April 1 of the following year.

- All Risk-Sharing loan documents will include a regulatory agreement which, among other things, states, “Owners shall not without prior written approval...assign, transfer, dispose of, or encumber any personal property of the project, including rents, or pay out any funds except from surplus cash, except for reasonable operating expenses and necessary repairs.” Reasonable operating expenses and necessary repairs, for the purpose of this section, include reasonable expenses necessary to operate and repair the physical project, including normal properly management fees. However, it would not include related party fees that are not critical to keep the project operating on a daily basis. Examples would include partnership management fees, asset management fees, incentive management fees and etc. Any such fees that would result in an assignment, transfer, disposal of, or encumbrance of any personal property of the project prior to determining the money is available through the normal surplus cash calculation, would first need to receive specific written approval from KHC.
- Must adhere to all compliance monitoring procedures.
- If **HOME funds** were utilized in the project, records must be retained for five years after the project completion date.

CHAPTER 8: Financial Requirements for All Funding Sources

Requirements for Underwriting

Following is a summary of some of the criteria KHC will consider when underwriting the project. This list is not intended to be all-inclusive and KHC may review and require documentation on any factor from any funding source that may have an impact on the project's budget and financial performance, as determined by the KHC underwriter.

1. The construction contingency should not exceed 10 percent of total construction hard costs. When calculating contingency, acquisition of the property should not be included as hard costs. If no contingency is being requested, the applicant must explain the rationale as to why none is required. Furthermore, if no contingency is requested and change orders occur during construction, the applicant is responsible for all such costs. For new construction projects, contingency should always be less than 10 percent (in most cases generally less than 5 percent). For rehabilitation projects, the contingency should generally be minimized by in-depth studies and evaluations that should be conducted as part of the developer's due diligence in preparing the application.
2. **The construction contingency is set aside for unforeseen cost over runs.** To draw contingency funds, a change order must be prepared and approved by both the inspector and plan reviewer at the time the change is deemed necessary. Do not wait until the project is complete to submit the change orders or they will not be approved. If contingency funds are not used, those funds will be recaptured and the necessary loan documents will be modified to reflect the difference in the amount funded. **Please note that a contingency for soft costs is not allowed.**
3. The required DCR in year one for projects must be a minimum of 1.20, except for Risk-Sharing projects which must achieve a minimum 1.25 DCR in year one. All projects must remain at or above 1.0 through year 15. Projects requesting Housing Credit only must meet the DCR requirements established by an investor or governmental entity if the investor or governmental entity accepts a lower DCR. All required DCRs, if lower than KHC's limit, must be reflected in either the syndication agreement or documentation from the governmental entity. In addition, the investor or governmental entity must provide its 15 year proforma. **All projects must have positive cash flow through year 15. For projects requesting KHC funds, the project must maintain positive cash flow through the applicable term of affordability.**
4. All projects with declining cash flows and DCRs that are approaching the breakeven point (DCR of 1.0) in or before year 15 must provide an explanation and documentation that sufficient funds will be available to support and maintain the project for a minimum of 15 years. If no documentation is submitted, then the project will not meet the financial requirements and will not be approved for funding. Housing Credit only projects must adhere to the requirements established by the investor; however, for projects blending Housing Credits with KHC funds, the cash flow must remain positive through the applicable term of affordability.
5. For Housing Credit projects proposing a Community Service Facility (CSF), the project must be located in a QCT. The eligible basis attributable to the CSF cannot exceed 25 percent of the project's total eligible basis (without any basis boost) and the total project development

cost cannot exceed \$15 million. The costs associated with the CSF must be broken out on a separate uses statement within KHC's underwriting model and those costs will not be considered in the cost containment calculation.

6. The maximum combined loan to value (CLTV) ratio may not exceed 100 percent for all permanent loans associated with the project. The project's investment value will be determined in the appraisal.
7. **As a resource, KHC will have historical operating expense data by county, for the past three years, online. Operating expenses must be supported and generally should fall between \$2,500 - \$4,500 per unit, per year (including utilities) AND fall within \$1,000 +/- of KHC's 2012 historical per unit, per year calculation (excluding utilities) for the county in which the project is located. If the project's annual expenses are outside of either of these ranges, provide a justification for the difference in the corresponding question in the Financial Design Section of the application. If the county in which the project is located does not have historical data, choose a similar surrounding county for its historical data. After the analysis is complete, enter the county utilized and the amount of the 2012 historical expense data, excluding utilities, on the expense page of the underwriting model.**
8. Management fees generally should be comparable to market fees and should not exceed 8.5 percent of effective gross income. Smaller projects and/or special needs projects, which may require a higher fee, should justify a higher percentage.
9. **ALL** permanent loans shall have monthly debt service payments. HOME and AHTF loans do not accrue interest during the construction period.
10. KHC funds will be in first position unless approved otherwise prior to closing.
11. **Recovery Kentucky projects will be charged an annual project oversight administrative fee by KHC.** The annual fee will be \$7,500 for projects with KHC-administered vouchers and \$4,000 for projects with non-KHC administered vouchers. KHC reserves the right to periodically increase this fee at its discretion.

Match

HOME and AHTF funds provided by KHC will require a 5 percent match. Any non-KHC financing source may be eligible. This includes, but is not limited to:

- ✓ Private bank financing
- ✓ Donated materials, labor, or services
- ✓ Waived or reduced fees or taxes
- ✓ Gap financing from any non-KHC source
- ✓ Other federal funds (may not be used as match for HOME)
- ✓ Owner equity (may not be used as match for HOME)

KHC funds, or funds administered by KHC, cannot be used to meet the match requirement of other KHC funds.

For applicants requesting **HOME funds**, eligible match sources must be permanent, non-federal contributions as follows:

- *Cash contributions.* Excludes proceeds from Housing Credits and other owner equity.
- *Donated real property.* To document the value of donated property, the property must be appraised by an independent, certified appraiser in conformance with established and generally recognized appraisal practices and procedures. If the real property will not be donated but will be sold for below-market value, the match amount is the difference between the appraised value and the sale price of the property and must be documented with a copy of the appraisal and a copy of the purchase contract. Also, attach a statement from the owner explaining that the property was sold for affordable housing purposes.
- *Donated construction materials.* The letter of commitment must include the method of calculating the value of donated materials.
- *Volunteer labor.* Valued at \$10/hour unless classified as a professional/skilled service, such as electrical or plumbing, which may be valued at documented market rate. For projects proposing skilled labor, document the current market hourly rate and method of calculation. For projects proposing unskilled volunteer labor, attach a letter from the coordinating volunteer agency (church group, civic group, etc.) stating the commitment, including the number of hours, when volunteer labor will be performed and cost per hour. Note that there is a maximum of 3,500 hours per unit for volunteer labor. Volunteer labor from the owner or related parties of the owner, is not eligible.
- *Waived fees and taxes.* If a project participant (other than the developer/owner) or local jurisdiction agrees to waive or reduce a customary fee or tax associated with the project, the developer may secure a letter from the provider that identifies the customary amount of the fee or tax and the amount to be waived or reduced. If a local property valuation assessor (PVA) agrees to reduce the property tax bill based on the restricted rents versus the market value, the net present value of the reduction in taxes is match-eligible. The PVA must provide a letter evidencing what the market rate taxes would be and what the reduced tax bill will be based on the restricted rents, along with a calculation of the net present value of the tax savings. The net present value of the difference between the tax rates may be counted as match.

Please note that any donations of equity, cash, real property, goods, materials, services, fees, or any other donations that originate from the project owner, or any entity in which the owner (or any member of the ownership entity) has an identity of interest, is not match eligible for HOME-funded projects. Potential match contributions that are paid for or reimbursed by a federal funding source are also ineligible. Please refer to HUD CPD Notice 97-03 for more detailed information on HOME match requirements.

Because CHDO proceeds are derived from HOME funds, any expenses funded with CHDO proceeds **may not** be counted as match. CHDO proceeds and all other non-match-eligible funds are classified as leverage.

KHC staff will work with applicants to identify eligible sources of match early in the project development process. However, in unique circumstances, KHC will reserve the right to waive the match requirement if no eligible match can be secured.

Identity of Interest

Identity of interest exists where there is a financial, familial, or business relationship that permits less than arm's length transactions. This includes, but is not limited to: the existence of a reimbursement program or exchange of funds; common financial interests; common officers, directors, or stockholders; or family relationships between officers, directors, or stockholders.

Appraisals

An appraisal ordered for KHC from a KHC-approved appraiser that meets KHC's appraisal standards is required on projects where KHC's total loan amount (including HOME due at maturity and forgivable at maturity loans) is \$250,000 or more. KHC reserves the right to request an appraisal on any project utilizing KHC funds. Appraisals must be received during the technical submission stage. Applicants are responsible for all costs associated with the completed appraisal.

Applicants that have a KHC loan of \$250,000 or more **must** choose an appraisal firm or individual listed on KHC's approved list and the appraisal must meet the standards outlined in the Financial Requirements chapter. The list of KHC-approved appraisers is available on KHC's Web site, www.kyhousing.org, under Housing Production, Multifamily Finance, [Appraisals](#).

Appraisals ordered for another lender or from a non-KHC approved appraiser are not acceptable; however, the KHC appraisal may authorize another user of the KHC appraisal.

Housing Credit projects not requesting KHC loan funds but are requesting acquisition credit must provide an appraisal supporting the building basis for purposes of determining the proper amount of Housing Credit reserved. The appraisal must provide at a minimum the "as-is" market value of the building and a separate site value for the land. Eligible basis will be limited to the basis determined by the required final cost certification. These appraisals do not need to meet KHC's appraisal guidelines or need to be ordered from KHC's contract appraisers.

The applicant will work with the appraiser directly throughout the appraisal process. If the applicant is planning to use KHC's appraisal to meet a Housing Credit syndicator's requirement, the syndicator's guidelines must be provided to the appraiser and cost negotiations will occur at the time of first contact.

For a complete description of KHC's appraisal requirements, please refer to KHC's Web site, www.kyhousing.org, under Housing Production, Multifamily Finance, [Appraisals](#).

Cost Containment

While maintaining aesthetic and livable standards, it is KHC's objective to fund as many proposals as possible. Because funds are limited, cost per type of unit and construction costs per square foot are important factors in analyzing applications. KHC has adopted cost containment guidelines to evaluate the total development cost for all projects.

The applicant must enter the applicable cost containment limit in the underwriting model. You can find KHC's cost containment limits on KHC's Web site, www.kyhousing.org, under Housing Production, Multifamily Finance, [Reference Materials](#).

Developer Fee

The allowable fees for developers are based on the total development cost (TDC) of the project. The developer fee on any Housing Credit project may not exceed 15 percent. At KHC's sole discretion, tax-exempt bond financed projects may be allowed an increase in developer's fee.

The amount of developer fee (including any fees for consulting services) paid for with AHTF funds cannot exceed 5 percent of the total AHTF award for the project.

The developer fee (as a percentage) is calculated as follows:

Developer Fee + Consulting Fees + anything resembling consulting or developer fees -divided by- TDC – Developer Fee – Consulting Fees – anything resembling consulting or developer fees

A subsidy layering/financial review will be required on all projects when there is a combination of any of the following funding sources: HOME, Housing Credits, or Project-Based Section 8.

Deferred Developer Fee

In Housing Credit projects, if the developer elects to defer a portion of the developer fee to be paid from project income after it has been placed-in-service, the deferred portion must be able to be repaid within the first ten years of operation. The pro forma of KHC's underwriting model will calculate the amount of deferred developer fee to be repaid each year from available project cash flow. Any amount not repaid at the end of the tenth year must be deducted from the project's eligible basis. KHC may consider, on a case-by-case basis, allowing projects to extend the repayment period for deferred developer fee up to the maximum 15 years allowed by the IRS.

Reserve for Replacement (R4R)

The calculation for determining the appropriate reserve for replacement (R4R) is based on the following assumptions, as applicable:

- \$275 per unit for new construction projects; or
- \$325 per unit for rehabilitation projects

If the equity provider or another financing source has a higher reserve requirement, KHC will defer to the higher amount.

The reserve for replacement annual deposit shall increase 3 percent per year. This amount may be reviewed annually to determine if reserves are adequate. KHC will maintain the reserve for replacement account unless required to be escrowed elsewhere by another funding source in the project.

For projects requesting Housing Credits only, KHC will require a reserve account established by the calculation noted above. KHC will monitor the reserve account held by the applicant but will not be administering the account.

Projects proposing rehabilitation may be required to make an initial deposit to the reserve for replacement account as part of the funding of the project. This will be determined on a case-by-case basis and determined by the Physical Capital Needs Assessment. Projects required to make an up-front deposit into the replacement reserve account must show this amount on the underwriting model.

For projects that KHC holds the R4R account, at the maturity date of any KHC HOME and/or AHTF loans, KHC will apply any unused R4R account balances to the remaining loan balances of KHC HOME and/or AHTF funds committed to the project. In addition, for Housing Credit projects in which the R4R account is held by another entity, any such balance must be submitted to KHC at the end of the IRS 15-year compliance period for capitalization of such an account for the remainder of the HOME and/or AHTF affordability period, if applicable.

For projects that obtain HOME or AHTF gap financing from KHC, a subsequent PCNA will be required in year 15 and may require the project to adjust their capital reserve replacement schedule accordingly.

Operating Deficit Reserve Account (ODR)

All applicants will be required, at closing or no later than the project's placed-in-service date, to sign a certification stating that a separate operating deficit reserve (ODR) account has been set up. The purpose of the ODR is to ensure that adequate funds are on hand should operating costs (e.g., utilities, maintenance costs, debt service obligations, etc.) exceed the project's ability to pay them with other funds. In addition to being a safeguard during the initial lease-up phase, the ODR is vital to ensuring the long-term financial stability of the project by increasing the project's ability to absorb or respond to temporary changes in circumstances, such as the unanticipated event of significant unbudgeted increases in operating expenses and/or losses in operating revenues.

KHC calculates the minimum ODR requirement as follows:

$$\begin{aligned} & \text{Six Months of debt service payments} \\ & + \text{Six months of projected operating expenses} \\ & = \text{Minimum Operating Deficit Reserve Required} \end{aligned}$$

KHC will hold the ODR escrow unless otherwise required by another lender in the project. If KHC does not hold the ODR, KHC requires to be notified prior to any disbursements from the ODR account.

For ODR escrows held by KHC: KHC will require during the first two years that the ODR maintain a minimum balance of 75 percent of the original ODR amount. Requests for disbursements from the ODR account must be submitted to KHC's Asset Management Department on the appropriate form. Each written request must include a specified itemization of the operating expenses and include supporting documentation evidencing the actual cost of each expense.

If at any time during the initial two years the balance in the ODR is below the required minimum balance (75 percent of the original ODR), then a deposit must be made to replenish the ODR to the required minimum balance as cash flow permits; however, at no time may the replenishment take more than three months. The ODR will be replenished prior to making any disbursements to and any other payments to the owner or any party related to the owner.

The balance in the ODR may fall below the minimum required balance after the initial two years; however, the balance in the ODR will remain in place for the life of the loan, available for eligible disbursements, as needed.

If KHC is financing the ODR, the full amount is required to be drawn on the final draw. All applicants will be required to identify the funding source of the ODR on the underwriting model. HOME funds may not be used to fund an ODR.

For ODR escrows not held by KHC: All applicants will be required prior to closing to sign a certification stating that an ODR escrow account has been established. If the equity provider or another financing source has a higher reserve requirement and a more stringent ODR policy, KHC will defer to the higher amount and their ODR policy.

KHC reserves the right to waive or modify the ODR requirement on a case-by-case basis.

Acquisition and Rehabilitation of Commercial Space

No KHC funds may be used to assist with the acquisition costs or rehabilitation costs of commercial space. KHC funds may be used in conjunction with a project that includes acquisition and/or rehabilitation of commercial space by prorating the residential square footage to the commercial space square footage. Any project with commercial space must separate the commercial space costs from the residential costs. If there is to be commercial space within a project, the commercial space must be deeded separately as a condominium regime.

CHAPTER 9: Program Policies

The following policies (or policy excerpts) are intended to provide guidance for key areas of project development. Unless otherwise noted, policies apply to all multifamily finance funds. For a full discussion of policies specific to HOME funds, please refer to the HOME Program guidelines (updated annually) in the state's Consolidated Plan located on KHC's Web site, www.kyhousing.org, under Data Library, [Consolidated Plan](#).

Funding Gaps/Substantial Change

If a funding gap due to increases in hard costs is identified prior to closing and the start of construction (after application approval and funds reserved), KHC will consider a request for additional funds as long as the request does not exceed 10 percent of KHC's investment. The following information must be sent to the program specialist along with the request for the additional funds.

1. Updated underwriting model
2. Justification for the gap

If a project identifies a gap in excess of 10 percent of KHC's investment (exclusive of Housing Credits) or if the number of units increases or decreases by 10 percent or more, this will be viewed as a **substantial change**. In this case, the applicant either locates other funding or must forfeit their reservation of funds and submit another application in the next funding round.

If a funding gap is identified during construction, KHC will consider a request for additional funds, but there is no guarantee that additional funds will be provided. The following information must be sent to the program specialist along with the request for the additional funds.

1. Updated underwriting model
2. Justification for the gap
3. Evidence that all other funding opportunities have been exhausted.

Note: Any time a funding gap is identified, whether before or during construction, developer fee and/or construction contingency must be used to cover all funding shortfalls before additional funds are requested. **KHC will not consider requests for funding gaps due to increases in soft costs.**

Financial Statements

Any project for which KHC holds a mortgage, regardless of lien position, may be required to send financial statements to KHC on an annual basis. The exact type of financial statements required may vary with the funding situation but will be detailed in the legal agreements. Generally, the minimum requirement is a compilation prepared by an independent CPA. The audited financial statements for Risk-Sharing loans are to be submitted to KHC within 90 days of the project's fiscal year end. All other projects are required to submit financial statements within 120 days of the project's fiscal year end. KHC may impose a late fee if the audit and/or financials are not submitted on a timely basis.

All audit requirements will be noted in the written agreement with KHC, if the project is funded. KHC always reserves the right to request financial statements from any project/partner that receives funding.

For projects funded in previous years, the requirement as to whether a project must submit audited financial statements is outlined in the application guidelines that were in effect at the time the application was submitted to KHC. The requirement would also be noted in the project's legal documents between the property owner and KHC.

All projects receiving any type of funding through KHC's Multifamily Finance Department are required to submit annual performance report information through the online Tenant Data Collection System, which requires reporting the project's basic income and expense totals for the previous year.

Compliance Issues

(All funding sources, refer to individual program requirements for additional compliance requirements)

Projects utilizing any KHC funds are required to meet compliance requirements throughout the affordability period of the project. Applicants will receive a Technical Submission Packet that will include additional information pertaining to compliance issues.

KHC's Compliance Department will be responsible for conducting compliance reviews. All projects, regardless of funding, will be inspected at least every three years. These reviews shall consist of rent restrictions, income restrictions, property conditions, and pledges made in the original application, extended use agreement (if applicable), the HOME funding agreement (if applicable), and the commitment letter.

The Compliance Department will notify the entity, in advance, when inspections will be scheduled. The entity or management agency should adhere to the following to eliminate any possibilities of non-compliance in addition to the requirements previously noted.

- Tenants must be given at least 30 days written notice before increases are implemented. Any increases are also subject to other provisions of the lease agreements. For example, rents may not increase until the tenant's lease expires. Documentation of increases must be kept in the tenant's file.
- Owners/Management companies must include the following in the tenant files.
 - ✓ **Rental Application:** The rental application or income survey form used to gather information about household income, composition, and student status.
 - ✓ **Evidence of household eligibility: Such documentation may vary depending upon the funding source(s) in the project.**
 - ✓ **Lease:** The lease must be included, documenting the rent amount and signed by both parties.
 - ✓ **Set-aside documentation:** Evidence to support set-aside selection, as pledged in the project's application and extended low-income housing commitment.
 - ✓ **Income calculation:** Include formula used to calculate income.
- KHC reserves the right to inspect each development for compliance with HQS throughout the term of the loan and Labor Uniform Physical Condition Standards.
- Any development using several sources of financing may have additional compliance requirements. Please refer to program specifics for additional compliance requirements.

Uniform Residential Landlord Tenant Act

The Uniform Residential Landlord Tenant Act (URLTA) was enacted by the Kentucky legislature in 1984 in order to encourage property owners and tenants to maintain and improve the quality of rental housing and to make uniform residential agreements between property owners and tenants.

Despite the act's attempt to provide for uniformity in landlord/tenant relations, the law today is in force in only some jurisdictions across Kentucky. To date, URLTA has been adopted by: Barbourville, Bellevue, Bromley, Covington, Dayton, Florence, Lexington-Fayette County, Georgetown, Louisville-Jefferson County, Ludlow, Melbourne, Newport, Oldham County, Pulaski County, Shelbyville, Silver Grove, Southgate, Taylor Mill, and Woodlawn. While Fair Housing advocates continue to seek to increase the number of jurisdictions which have adopted URLTA, KHC's most recent Analysis of Impediments to Fair Housing found that one of the most significant impediments was that "only a small percentage of the state is protected by" URLTA. As a result, many renters are forced to live in substandard housing, an effect felt disproportionately by low-income and minority residents.

KHC has determined the best way to further both Fair Housing and the quality of rental housing stock across Kentucky is to require developers who receive funding or Housing Credits through KHC to develop standard rental housing projects must agree to adhere to the requirements of URLTA. Specialized or supportive housing projects will be exempt from this requirement as URLTA does not apply to housing incidental to the "provision of medical, geriatric, educational counseling, religious or similar service." KRS 383.535(1).

URLTA is codified at KRS 383.505-.715 and provides for protection of both the property owner and the tenant, as well as corresponding rights and duties of each party.

The landlord's duties are to: place any security deposits in a separate account in a regulated financial institution, adhere to building codes affecting health and safety, make required repairs to keep premises fit and habitable, keep the building systems and common areas safe and in good condition, and supply running water at all times and reasonable heat throughout the cold months of the year.

The landlord's rights are: to terminate the lease after 14 days written notice, to collect for damages, to evict from the unit, to enter the rental unit, and a right to know when the tenant will be absent for more than seven days.

Similar to the property owner, the tenant is required to adhere to building codes affecting health and safety and to keep the premises as clean and safe as practical. In addition, tenants are required to: dispose of waste safely, use electrical and all other appliances in a reasonable manner, not deliberately or negligently damage the unit or premises, conduct themselves in a way not to disturb neighbors, and not engage in unlawful activities within the premises.

The tenant has the right to: move in once the lease has been signed, to terminate the lease if the landlord fails to comply with its provisions or the URLTA, to deduct from the rent when the landlord fails to comply with the lease or URLTA in a manner which impacts the tenant's health or safety, have essential services, and to oppose the landlord's retaliation for complaining about the condition of the unit.

CHAPTER 10: Scoring Criteria

The majority of the scoring guidelines and criteria have been incorporated into the project score sheet, which is included at the end of these guidelines. However, some scoring guidance required more detail than could be incorporated into the score sheets; therefore, additional information has been provided below. Please refer to the score sheet for more information pertaining to each scoring category.

Development Team Characteristics and Kentucky-Based Businesses

Applicants must submit certification, as described below, to document for-profit minority or female-controlled and managed entities to receive points in this area (see score sheet for points).

The definition of a for-profit minority- or female-owned and managed entity is:

- a. If the firm is a corporation, such individuals must own at least 51 percent of each class of voting stock outstanding and 51 percent of the aggregate of all stock outstanding.
- b. If the firm is a partnership, 51 percent of each class of partnership interest must be owned by socially- and economically-disadvantaged individuals and be reflected in the firm's partnership agreement.
- c. If the firm is a limited liability company, at least 51 percent of each class or member interest must be owned by socially- and economically-disadvantaged individuals.

Minority-Owned Businesses

For additional and more specific information on the requirements of the certification process for minority-owned agencies, the link for this certification is www.mwbe.com/cert/certification.htm.

A for-profit minority-owned business is an enterprise, regardless of size, physically located in the United States or its trust territories, which is owned, operated, and controlled by minority group members. "Minority group members" are United States citizens who are Asian, Black, Hispanic, or Native American.

Certification is done at a local or regional level. There is a non-refundable application fee. Certification must be renewed each year, along with payment of annual fee. To find the certifying agency for the state of Kentucky, visit the [Web site](#) listed above.

Minority-owned entities must provide articles of incorporation and other documentation, as necessary to establish that they meet the criteria listed below, as well as a formal certification from any state or federal government agency or professional association pertinent to the housing and/or construction industry.

- Ownership: 51 percent ownership by a minority. The applicant must share in all risk and profits commensurate with their ownership interest.
- Control and Management: Proof of active management of the business.

Female-Owned Businesses

Female-owned entities must provide articles of incorporation and other documentation, as necessary to establish that they meet the criteria listed below, as well as a formal certification from any state or federal government agency or professional association pertinent to the housing and/or construction industry.

- Ownership: 51 percent ownership by a woman or women. The applicant must share in all risk and profits commensurate with her ownership interest.
- Control and Management: Proof of active management of the business. Women must possess the power to direct or cause to direct the management and policies of the business.

Nonprofit Organizations

Nonprofit organizations are required to materially participate in the development, operation of the development, ownership, or management of the project.

A qualified nonprofit organization is one that is:

- Described in §501(c)(3) or (4) of the code and is tax exempt from tax under §501(a) of the code.
- Not controlled by a for-profit.
- Has as one of its exempt purposes as the fostering of low-income housing.
- Has been in existence for at least one year.
- Owns 51 percent of the general partnership interest of the project's ownership entity.

Please note that nonprofit organizations are required to have the provision of affordable housing listed as one of their designated purposes in the articles of incorporation and/or bylaws.

CHAPTER 11: Transitional Housing Guidelines (Non-Housing Credit)

The purpose of transitional housing is to provide short-term rental housing (up to two years) to individuals and families who are transitioning from a service or treatment facility into permanent housing and independent living. While ongoing services may be offered, transitional housing is **not** an extension of the service or treatment facility. Transitional housing developments should look like and be indistinguishable from any other market rental housing. The only difference between transitional housing and standard rental housing is the availability of services to the tenants and the limitation of two years' tenancy.

KHC has set aside \$300,000 of AHTF funds for transitional housing projects. Please note: KHC may not invest its HOME funds in areas covered by a local participating jurisdiction. Those areas include the merged governments of Lexington/Fayette and Louisville/Jefferson, as well as the city of Owensboro and the northern Kentucky consortium consisting of the cities of Bellevue, Bromley, Covington, Dayton, Ludlow, and Newport.

Applicant Requirements

Applicants for transitional housing projects must either:

- a. Have developed a standard rental housing project with KHC within the last three years.

Or

- b. Partner with a developer who has successfully completed a standard rental housing project with KHC within the last three years to develop the proposed transitional housing project.

In either case, the prior project may not have any unresolved or outstanding compliance, audit, or asset management issues; be in default; or have requested extensions or forbearance of debt service.

Design Requirements

- Typical rental structures such as apartments, duplexes, or single-family homes are eligible. Group homes and single-room occupancy (SRO) housing are permissible; however, dormitory or barracks-style housing is not eligible under this initiative.
- The maximum number of bedrooms in a transitional housing project is six total. For example, in an SRO setting, there may be up to six bedrooms with shared kitchen or bath facilities. If constructing one-bedroom duplexes, up to three duplexes are allowed. If building three-bedroom, single-family homes, up to two homes are allowed.
- A mix of one-, two-, and even three-bedroom units should be made available, depending on the population being served.
- Each dwelling unit should have its own bath and kitchen facilities. Group homes may have shared facilities, provided each person or family has separate, private living/sleeping space. SRO units must have either private food preparation or bathroom facilities (may have both). In either case, if the target population is families, private bathrooms are **required**. For non-familial populations, shared bathrooms are permissible among same-gender occupants.
- The minimum square footage per unit shall be:

- 0-bedroom unit (SRO) – 150 net square feet (common kitchen or bath)
 - Efficiency unit – 400 net square feet
 - 1-bedroom unit – 600 net square feet
 - 2-bedroom unit – 800 net square feet
 - 3-bedroom unit – 1,000 net square feet
 - 4-bedroom unit – 1,100 net square feet
- Dependent upon the source and amount of KHC resources requested for the project, KHC's minimum design and universal design standards will apply. **All other KHC design and construction requirements, as outlined in the program guidelines, will apply.**
 - The transitional housing must look like standard-market housing where the units could be marketed and leased to any renter, even those without special needs or requiring services. In KHC's model for transitional housing, it is the services that are transitional; if the services are removed, you must still have viable community rental housing.

Occupancy and Lease Requirements

- Occupancy of any unit must not exceed two related persons per bedroom. Unrelated persons cannot be required to share a bedroom.
- Tenants must be allowed to stay in the housing for up to two years and be able to sign a standard lease. The lease cannot contain any language prohibited by the HUD Section 8 program.
- A high level of appropriate services should be available to tenants, but a requirement to participate in services **cannot** be included in the lease. The owner/service provider can require a tenant to sign a separate service agreement with the agency, but services and housing must be independent of each other. Participation in services cannot be a contingent requirement of tenancy.
- The transitional housing cannot be "captive" to any one particular agency, i.e., the applicant cannot accept referrals only from its own agency. Referrals for residency must also be accepted from any other qualified service facility in the community that is serving a similar population and offering similar services.

Financial Requirements

- Rents must be appropriate to the populations served and adhere to the requirements of the funding sources requested. If tenants are coming off the street into the housing, little or no rent may be justified. If tenants are coming from a lengthy stay in treatment, it may be that they have some employment income but very little.
- The rent paid by tenants cannot contain any amount for services; therefore, the operating proforma cannot contain any fees attributable to a service component.

- If rental assistance and/or operating subsidies are required to sustain the continued viability of the transitional housing, the applicant must provide written firm commitments from the providers of the rental assistance and/or operating subsidy, as applicable. The commitments must extend for a minimum of three years. In addition, copies of operating and/or rental subsidy agreements must be provided. At its discretion, KHC may consider rental assistance contracts of less than three years, if upon review of the agreement it is apparent that the assistance is likely to continue.
- Conditional commitments are not acceptable. The applicant must prove the long-term financial sustainability of the project.
- All other KHC underwriting requirements will apply, including debt coverage ratio, cost containment limits, maximum fees, reserve accounts, etc. A market study or needs analysis will not be required; however, a narrative describing the need for the project must be included with the application.

Permanent Housing Plan

Ensuring transitional housing tenants are moved into permanent housing within the allowable two-year time frame is the cornerstone of a successful transitional project. Turning residents back out onto the street or rendering them otherwise homeless is not acceptable. Therefore, it is the applicant's responsibility to assist residents in securing permanent housing.

- The applicant must identify sources of permanent subsidized housing available for residents of the transitional housing. Memorandums of Agreement must be submitted from the owners or managers of the permanent housing stating that units will be available to persons exiting the transitional housing and that they will receive preference on available units. When possible, a set-aside of units for residents of the transitional housing is preferred.
- If few permanent, subsidized housing resources are available in the community, the applicant must show how the residents will be able to acquire enough income to move into market housing at the end of the maximum two years' residency.

Only transitional housing projects meeting the requirements noted above may apply for funding under this set-aside. KHC is developing an additional program using AHTF funds for transitional housing projects not meeting the above requirements. This program will be administered by KHC's Specialized Housing Resources Department. Information on this new initiative, including application due dates, is forthcoming.

CHAPTER 12: Basic Terms

Affiliate: Any entity that directly or indirectly controls another entity or has a controlling front door interest in the entity.

Affordability period: The required period of time the development must continue to remain affordable to the target population.

Bridge loan: A short-term loan used to finance an enterprise, investment, or government, pending the receipt of other funds.

Chronically Homeless Person: An unaccompanied homeless individual with a disabling condition who has either been continuously homeless for a year or more **or** has had at least four episodes of homelessness in the past three years. A disabling condition is defined as "a diagnosable substance use disorder, serious mental illness, developmental disability, or chronic physical illness or disability, including the co-occurrence of two or more of these conditions." In defining the chronically homeless, the term "homeless" means "a person sleeping in a place not meant for human habitation (e.g., living on the streets) or in an emergency homeless shelter."

Community Room: This is a designated common area specifically for the tenants only. It is separate from other areas such as the office and laundry facility.

Community Service Facility (CSF): A space available to the public (including non-tenants) usable for purposes including, but not limited to, child daycare, senior programs, and job training. They are defined as facilities that are designed to primarily serve low-income households (60 percent or less of area median income). **The CSF must be located in a Qualified Census Tract (QCT).**

Conflict of Interest: A conflict between the private interests and the official responsibilities of a person in a position of trust.

Contiguous Sites: Sites adjacent, bordering, or adjoining each other.

Construction contingency: Funds set aside for unanticipated construction expenses or cost over-runs normally calculated as a percentage of total hard cost.

Controlling Interest: The possession, directly or indirectly, of and the power to direct or cause the direction of the management and policies of an entity, whether through the means of ownership, position, contract, or otherwise.

Cost Containment guidelines: Cost guidelines limiting the amount of total dollars per unit allowed in the development.

Debt Coverage Ratio (DCR): Net operating income divided by total debt service (loan payment).

Debt service: The payment of principal, interest, and Mortgage Insurance Premium (when applicable) to repay the loan.

Deed restriction: A limitation that passes with the real property, regardless of the owner. Usually limits the real estate's type of use or intensity of use. See also: [Restrictive Covenant](#).

Developer fee: Fee received by the developer for coordinating and developing the project, including any fees paid for consulting services or any other fees resembling consultant or developer fees.

Elderly Project: There are two ways to qualify as an elderly project: All units are occupied solely by persons 62 years of age or older (100 percent elderly) or 80 percent of the units are occupied by at least one person who is 55 years of age or older.

Homeless: A person sleeping in a place not meant for human habitation or in an emergency shelter or a person in transitional housing.

Identity of Interest: A financial, familial, or business relationship that permits less than arm's length transactions. This includes but is not limited to: the existence of a reimbursement program or exchange of funds; common financial interests; common officers, directors, or stockholders; or family relationships between officers, directors, or stockholders.

Leverage: The degree to which an investor or business is utilizing borrowed money.

Loan-to-value ratio: The ratio of a mortgage loan and the value of the security pledged; usually expressed as a percentage.

Maximum mortgage amount: The maximum principal amount to be loaned under the applicable programs.

Maximum subsidy/allocation: The maximum amount of funding allowed on a per-unit basis.

Mentally Disabled: Having either a psychiatric disorder (e.g., psychosis, neurosis, personality, or behavior disorder), a development disorder (e.g., mental retardation), or a neurological disorder that affects cognitive or emotional functions to the extent that capacity for judgment is significantly diminished.

Mortgage Insurance Premium: The insurance required to be paid annually for developments utilizing HUD insurance through the Risk-Sharing Program.

Operating Deficit Reserve Account (Rent-Up Reserve): Funds set aside in a reserve account to cover operating deficits until the project reaches sustaining occupancy. KHC calculates this reserve during the underwriting stage and must be, at a minimum, sufficient to cover six months of operating expenses and debt service. Please refer to KHC's ODR policy in [Chapter 8](#) of this manual.

Operating expenses: Both fixed and variable expenses incurred in the day-to-day operation of the project.

Other funding sources: Any funding source, not provided by KHC, being used to fund the project.

Physically Disabled: Having a physical condition that adversely affects the day-to-day motor functioning, such as cerebral palsy, spina bifida, multiple sclerosis, orthopedic impairments, and other physical disabilities

Preservation: (Minor rehabilitation is NOT included.) Maintaining existing units or the integrity of the original existing unit, as closely as possible. Can include the relocation of certain walls or major

components, such as plumbing or electrical systems. However, the existing shell of the building must be maintained. This can include the reduction of units to update or modernize to meet current market needs.

Pro forma: A spreadsheet projecting income and expenses (including reserve for replacement) of the development, as well as debt service, debt coverage ratio, and cash flow for each year.

Project Completion: All construction is completed, all close out documents have been submitted, final closing has occurred (if applicable), and all funds have been expended and disbursed.

Rent-Up Reserve (or Operating Deficit Reserve): Funds set aside in a reserve account to cover operating deficits until the project reaches sustaining occupancy.

Reserve for Replacement: An allowance that provides for the periodic replacement of deteriorating building components that must be replaced during the building's economic life. Funds are set aside in a reserve account.

Restrictive Covenant: A private agreement that restricts the use and occupancy of real estate, is part of a conveyance, and is binding on all subsequent purchasers; may involve control of lot size, setback, placement of buildings, architecture, cost of improvements, or use.

Soft costs: Service costs and fees that are incurred when developing a project.

Single Room Occupancy (SRO): The unit must contain a bedroom and a full bath or an efficiency kitchen (sink, refrigerator, microwave).

Subsidy Layering/Financial Analysis: A review required when a development combines Housing Credits with other governmental assistance, including the HOME program.

Sustaining occupancy: The point-in-time when the gross income is sufficient to cover the operating expenses. Net income is \$0 or greater.

Term of loan: The period of time allowed for repayment of the loan amount and any accruing interest.

Total Hard Construction Costs: Total cost to construct the building and other improvements.

Vacancy Rate: The percentage of total units that are not occupied.

2014 Rental Application Checklist

- For the application to be considered complete, it must contain all application items listed in this checklist that are required for the project type and funding source(s) requested. The required attachments must be uploaded via the online application system.
- The electronic file name for each attachment must be the same as the checklist item name. Example: the file name for the copy of the self-scored score sheet must be “A 2-1 Self Scored Score Sheet.”
- If a checklist item does not apply, upload a sheet in its place that identifies the required checklist item name and states that it is not applicable to your project. A separate “not applicable” sheet must be uploaded for each checklist item that does not apply to the project.
- In addition to submitting the attachments electronically, you are also required to submit a disc or flash drive that contains a copy of all the attachments. The disc or flash drive must be identified with the project name, developer name and application number.
- The maximum file size for attachments is 10 megabytes (MB). If an attachment exceeds the 10 MB limit, it can be submitted solely on the disc or flash drive; however, a sheet of paper must be uploaded in its place stating the attachment number and name of the document and that it is on the disc or flash drive due to the file size.
- Please refer to the Multifamily Finance Guidelines for further details on each checklist item.

This checklist must be submitted with the application.

Indicate with a the applicable items. Only submit attachments that apply to the funding source(s) requested.

APPLICATION FEE The memo line or check stub of the application fee check must reference the project name and application number.

- A 1-1 Nonprofit Application Fee (provide a copy of the check)
 - \$1,500 per pool for exclusively nonprofit applicants (**Housing Credit only**)
 - \$100 for **non-credit** project submitted by nonprofit developers
- A 1-2 For-Profit Application Fee (provide a copy of the check)
 - \$2,500 per pool for all for-profit applicants (Housing Credit only)
 - \$500 for **non-credit** projects submitted by for-profit developers

General Information

- A 2-1 Self-Scored Score Sheet (**Excel version, do not submit a PDF version**)
- A 2-2 Application Checklist (**checklist must identify which documents have been submitted and which are not applicable**)

- A 2-3 Technical Assistance Certification (**Required for applicants that have not used KHC resources to construct or rehabilitate a rental project or for applicants KHC has determined would benefit from a technical assistance meeting**)
- A 2-4 Letter of support from the Mayor if the project is located within the city limits or if there is a merged government, or a letter of support from the County Judge Executive if the project is located outside the city limits. Letter cannot be more than one year old. Refer to the Multifamily Finance Guidelines for details on letter requirements. (**Required for Housing Credit projects applying in the Community Impact Pool**)
- A 2-5 Notification of Application for Funding – Evidence must be submitted that the completed form was received by the appropriate local and state officials; i.e., a registered mail receipt or other acknowledgement of receipt. (**Required for projects of 12 or more units and all Housing Credit projects**)
- A 2-6 IRS 501(c)(3) designation (**nonprofits or organizations participating in the development, ownership or management of the project**)
- A 2-7 Certificate of Existence - (**required for all Kentucky-Based Companies pledged in the project**)
- A 2-8 Executed Contract/Letter of Intent – (**required for Kentucky-Based Companies pledged in the project**) –Members of the development team will have submitted this information with their capacity team review documentation.
- A 2-9 Certification of minority- or female-controlled development entity (**if applicable**) Refer to Chapter 10 of the Multifamily Finance Guidelines for further details.
- A 2-10 Workforce Investment Plan – for any member of the development team who are proposing to employ at least 3 individuals referred from a Kentucky One-Stop Career Center must submit a Workforce Investment Plan approved by a local workforce investment board.
- A 2-11 Applicant/Developer Certification Form
- A 2-12 Copy of Consultant and/or Administrative contracts (**if using a consultant**)
- A 2-13 Consultant Certification (**if using a consultant**)
- A 2-14 Management Certification Form
- A 2-15 Kentucky Intergovernmental Review Process - **Provide confirmation showing the State Application Identification (SAI) number as proof that the project has been submitted to the State Clearinghouse. (HOME or Risk Sharing Funds)**

- A 2-16 Notification to Local Public Housing Agency – If the applicant/owner has committed to notifying the local public housing authority (PHA) of property vacancies and to give preference to individuals on the local PHA waiting list, a signed written statement to this effect from the applicant/owner must be provided. This will need to be reflected in the Tenant Selection Plan for the project, which is not required until Technical Submission.
- A 2-17 Permanent housing plan (**required for all transitional housing projects**)
- A2-18 Letter of Service Commitment – letter from each service agency stating support and knowledge of the supportive housing application and that they will offer appropriate services to eligible residents. A requirement to participate in these services **cannot** be a condition of the lease. See Multifamily Finance Guidelines for further information. (**Required for permanent supportive housing, special needs or transitional housing projects**)
- A 2-19 Letter of Referral Commitment – letter from an agency providing the referral commitment, stating they will refer individuals with special needs matching the project’s targeted population and provide an estimate of the number of referrals each year. (**Required for permanent supportive housing, special needs or transitional housing projects**)

The letter required in A2-18 & A2-19 can be combined into one letter if the same agency is providing both services and referrals.
- A 2-20 Supportive Housing Service Plan – see Multifamily Finance Guidelines for detailed description of the requirements. (**Required for permanent supportive housing or transitional housing projects**)
- A 2-21 Scholar House Participation Letter – a letter from an official of the affiliated college(s) or university(s) that confirms their participation in the project and identifies their role and any commitment of funding to the project.
- A 2-22 Proof the Compliance Period ended – the documentation must include the original KY# tax credit identification number and evidence that the initial 15-year compliance period has ended. (**Required for rehabilitation projects previously awarded Housing Credits**)
- A 2-23 Preservation of Existing Project-Based units – projects proposing to rehabilitate units with existing project-based rental assistance from HUD or RD, a letter from the appropriate governmental agency must be provided that details when the project was placed in service, whether or not the project has been rehabilitated since the initial placed-in-service date, and the number of rental assisted units. Projects with a KHC rental assistance contract will be verified in-house. (**Required for all projects rehabilitating project-based units**)

- A 2-24 Evidence of Vacant or Foreclosed Buildings – for vacant property, provide a signed, written statement from the current owner that the property is 100% vacant. If the property has been foreclosed or is bank owned, provide evidence from the bank of the foreclosure or bank ownership. All documentation must be dated within three months of application submission.
- A 2-25 Relocation plan (**required for all rehabilitation projects**).HOME, Project-Based and Risk-Sharing must follow the Uniform Relocation Act. AHTF projects, please refer to Multifamily Finance Guidelines for information.
- A 2-26 Lead-Based Paint Determination Form (**rehabilitation projects built prior to 1978 only**)

Project Design, Location and Readiness to Proceed

- A 3-1 Location map with directions to the site (**if requesting Housing Credit, indicate the location of the site within the Qualified Census Tract identified, if applicable**)
- A 3-2 Checklist of green building techniques – must choose at least six.
- A 3-3 Energy Star Checklist and manufacturer’s specifications for each Energy Star feature – must choose at least two; four or more for maximum scoring points.
- A 3-4 Preliminary set of plans – must be uploaded as one single PDF document. If an applicant is unable to upload the plans due to the file size exceeding 10 megabytes, the plans may be submitted on a disc or flash drive as one single PDF document.
- A 3-5 Work Write Up (**rehabilitation projects only**)
- A 3-6 Preliminary specifications – must be in **23** division format
- A 3-7 Site Plan
- A 3-8 Copy of floodplain map (site location must be indicated on the map); **OR** flood determination certificate from a FEMA-identified flood zone determination company (<http://www.fema.gov/business/nfip/fzone1.shtm>); **OR** a stamped certification from a licensed surveyor (if the property is in an unmapped area).
- A 3-9 Physical/Capital Needs Assessment (PCNA) – may not be more than one year old. (**Required for rehabilitation projects only**)
- A 3-10 Color photographs (or color copies) showing existing structure(s).
- A 3-11 HERS rater contact information (If using HERS rating system)
- A 3-12 Proof of HERS rater certification (If using HERS rating system)
- A 3-13 Applicant HERS compliance certification (If using HERS rating system)

- A 3-14 Proof of proper zoning. If site is not properly zoned currently, a letter from the local zoning board must be provided indicating that the project has been through the approval process and that the zoning change is imminent. (**Zoning change must be approved and in place by the technical submission deadline**).
- A 3-15 Evidence of site control (property deed, option to purchase, purchase contract, lease/option to lease through affordability period – must be fully executed).
- A 3-16 Copy of deed restrictions or subdivision restrictions **OR** letter stating there are no deed restrictions. The letter must reference the project name and location and must be from the current owner, city/county official or attorney.
- A 3-17 REScheck Calculation Documentation – (**Required for new construction projects only**)

Financial Design

- A 4-1 Underwriting Model (2014 updated version) completed in Excel format. Must also include on disc or flash drive. Please do not send scanned PDF versions of the underwriting model.
- A 4-2 Print out from completed **Novogradac** rent and income calculator to verify rents proposed in the underwriting model are within the applicable limits Please refer to the QAP for urban and rural county designation. The calculator is located on the Novogradac web site at: <http://www.novoco.com/products/rentincome.php>. (**Required for Housing Credit projects; optional for non-credit projects**)
- A 4-3 Utility allowance chart from KHC or the local PHA (in counties where KHC does not administer the Section 8 program) must be submitted for all projects with tenant-paid utilities. For Project-Based Section 8 or RD-assisted properties, the current utility allowance must be provided from KHC, HUD, local PHA or RD as applicable (the agency that is providing the rental assistance). Historical utility usage data is not acceptable.
- A 4-4 Firm commitment letter(s) for **all non-KHC** resources identified in the application and the underwriting model, including letter of intent from equity provider as defined in the Multifamily Finance Guidelines and score sheet (to include all terms, as applicable). Contributions by any member of the development team must be in writing and guaranteed by the contributor. All commitment letter(s) must be dated within 3 months of the application submission date and identify the project name.
- A 4-5 Guarantor's evidence – a bank statement will be required if a guarantor provides a guaranty for an non-KHC funding that is has applied for, but has not received, at the time of application. The bank statement must demonstrate sufficient liquidity to cover the guaranty of the full amount of funds for which the guarantor does not have a firm commitment.

- A 4-6 Market Study - **required for all projects; however, projects of 4 units or less may choose to submit a market needs analysis instead of a full market study.** The market study/needs analysis is valid for one year.
- A 4-7 Part I, Evaluation of National Register Status - submitted to the State Historic Preservation Office (SHPO) (**Required for projects proposing federal or state historic rehabilitation credit only**)
- A 4-8 Commitment letter(s) or agreements for rental assistance (Project-Based Section 8, RD, etc.) Commitments and/or agreements must be from the rental assistance provider, may not be expired and must be currently in effect.
- A 4-9 Current approved rent schedule. Rent schedule must clearly identify the effective dates of the rents and the agency providing the rental assistance (**Required for rehabilitation projects with Project-Based Section 8 or RD rental assistance only**).
- A 4-10 Commitment letter(s) or agreements for operating subsidies. Must be currently in effect and provide assurance of continuation through the applicable affordability or deed restriction period. If operating subsidies are temporary or subject to renewal, applicant must explain how operations will be funded if the subsidy is not renewed.

HOME and Risk-Sharing Funds

- A 5-1 Copy of the GUIDEFORM NOTICE – Disclosure to Seller with Voluntary, Arm’s Length Purchase Offer (**If requesting HOME and Risk-Sharing funds and acquiring property**)
- A 5-2 Copy of the GUIDEFORM GENERAL INFORMATION NOTICE given to current tenants (**If requesting HOME and Risk-Sharing funds and project has current tenants**)

Other Items

- A 6-1
- A 6-2
- A 6-3

2014 Multifamily Finance Competitive Application Score Sheet (For All Projects)

Applicant Instructions :

Please enter data in the yellow-shaded cells only. The comment box at the bottom of this page is for your use to provide KHC with any information that may be necessary during the scoring process. The comment boxes in the individual scoring sections are for KHC use only.

You must submit the Excel version of the completed self-score sheet as an attachment to the application.

A minimum score of 220 is required for Housing Credit projects and 185 for Non-Credit projects must be received, or the application will **not** be reviewed for financial feasibility and will **not** receive funding. Please refer to the Multifamily Finance Guidelines for additional information.

Project Name:

Applicant Name:

Developer Name:

Consultant Name:

General Partner(s):
(with ownership percentage listed for each)

Application Type	Housing Credit	Non-Credit		
	<input style="background-color: yellow;" type="text"/>	<input style="background-color: yellow;" type="text"/>		
Housing Credit Pools (check all that apply, maximum of 2 pools)	Urban	Rural	Nonprofit	Community Impact
	<input style="background-color: yellow;" type="text"/>	<input style="background-color: yellow;" type="text"/>	<input style="background-color: yellow;" type="text"/>	<input style="background-color: yellow;" type="text"/>
Construction Type	New Construction/ Adaptive Reuse	Rehabilitation		
	<input style="background-color: yellow;" type="text"/>	<input style="background-color: yellow;" type="text"/>		
SCORING SUMMARY:			Possible Points	Applicant Self Score
A. DEVELOPMENT TEAM (Based on review prior to application; minimum 60 points required)			100	0
B. PROJECT DESIGN/ SITE LOCATION/ READINESS TO PROCEED			190	0
C. FINANCIAL DESIGN			115	0
TOTAL			405	0
			*KHC preliminary score is subject to change and may increase or decrease before final score is determined.	
			KHC Final Housing Credit Pool Awarded:	<input type="text"/>
Applicant Notes to KHC:				

A. DEVELOPMENT TEAM -- 100 points possible; minimum 60 points required

This section of the scoring criteria includes developer, general partner, consultant and management company. Generally, for production, compliance and asset management issues, KHC will look back to January 1, 2010 when evaluating the capacity of the various members of the development team. KHC reserves the right to consider developmental concerns prior to this date, if warranted. In addition, at its discretion, KHC may consider issues or areas of concern other than those identified in this section when determining the capacity score. Development team capacity review will be conducted prior to application. See guidelines for additional requirements.

CAPACITY OF THE DEVELOPMENT TEAM Selection Criteria	Possible Points	Self Score	KHC Preliminary Score	KHC Final Score
1. Monitoring/Compliance				
<p>a. Only one of these apply:</p>				
<p>No member of the development team within the past 3 years has had any compliance and/or monitoring issues (excluding cured issues during the 30-day correction period), whether it is federal, statutory, or KHC policies.</p>	20			
or				
<p>One or more members of the development team has had noted noncompliance issues (federal, statutory, or KHC policies), but all have been corrected within six months after the close of the correction period, i.e., issuance of the IRS Form 8823 and/or closed review letter with open issues.</p>	10			
or				
<p>A member of the development team has been found to be directly or indirectly responsible for any project in which there is or were uncorrected noncompliance issues for more than six months from the close of the correction period (i.e., issuance of the IRS Form 8823 and/or closed review letter with open issues) and the member(s) of the development team have been notified and the noncompliance issue has been documented. IRS Form 8823(s) issued for acts of God or for reasons beyond the owner's control may be excluded, as determined by KHC or other Housing Finance Agency (HFA).</p>	0			
or				
<p>A member of the development team has had chronic and repeated compliance issues or findings of noncompliance and they have been notified and it has been documented by KHC or other HFA.</p>	(-10)			
<p>b. No member of the development team has requested a waiver or modification for pledged amenities or requested a deviation from project design. (This includes pre-8609(s) reviews and excludes equitable substitutions of amenities and/or project design elements as included in original application for funding. Such substitutions must be approved by KHC.)</p>	10			
<p>c. No member of the development team has a KHC-financed property that received a REAC score of less than 60 in its most recent inspection. KHC reserves the right to consult with HUD to ensure that no other HUD-financed project in which a member of the development team is involved has received a REAC score of 60 or below in its most recent inspection.</p>	10			
<p>d. A member of the development team has uncorrected compliance issues on a project funded entirely with Section 1602 Exchange funds. The compliance issues remain uncorrected beyond the established time period.</p>	-40			

2. Production				
a.	No member of the development team has been involved in a project awarded Housing Credits or other KHC funding prior to December 31, 2010, and the project has yet to be placed in service and/or close-out documentation remains to be submitted to KHC.	20		
b.	No member of the development team has had funds recaptured by KHC within the past 3 years; development team was notified and it has been documented. Recapture event is due to not meeting KHC-imposed deadlines.	10		
c.	A member of the development team within the past three years has requested to exchange (swap) previously awarded Low Income Housing Tax Credits for a newer year.	(-5)		
d.	The Developer or Consultant has been a part of a development team within the past seven years that has developed and placed in service a KHC-financed multifamily project of at least ten units. Qualifying projects must be identified in the application.	15		
	or			
	The Developer or Consultant has been a part of a development team within the past three years that has developed and placed in service a multifamily project in another state utilizing multifamily resources from the state housing finance agency.	5		
e.	A member of the development team has been involved in a project that was awarded Housing Credits or other KHC funding but did not fulfill the pledged scoring areas. Negative points equivalent to the points originally awarded to the related project will be deducted from the subsequent project being scored in the current funding round. <i>Example:</i> Prior project was awarded 15 points for pledging two Energy Star features, but there is only one Energy Star feature when the project completed, resulting in a 15 point deduction to the project in the current funding round.			
3. Asset Management				
a.	No member of the development team has been involved in a KHC-financed project that has been delinquent for 75 days or more on debt service payments or any KHC-maintained escrow accounts. (Without a KHC-approved forbearance).	10		
	or			
	A member of the development team has been involved in a KHC-financed project that has been delinquent for 75 days or more on debt service payments or any KHC-maintained escrow accounts. This also includes Housing Credit projects in which another lender is involved and KHC is informed of such delinquent status by the third party lender.	(-5)		
b.	Within the past year, a member of the development team has been involved in a project which previously received KHC funds and has requested a forbearance.	(-5)		
c.	No member of the development team is involved with a project in which the most recent review by KHC of the audited financial statements and/or compilation revealed a ranking of critical.	5		
TOTAL DEVELOPMENT TEAM POINTS: 100 possible; 60 required minimum		100	0	0
KHC Review Comments:				

B. PROJECT DESIGN, LOCATION & READINESS TO PROCEED Selection Criteria - 190 Points Possible	Possible Points	Self Score	KHC Preliminary Score	KHC Final Score
1. Building Design (check all that apply)				
Exterior:				
a. 100 percent of the exterior walls are either brick, stone, or HardiePlank (or similar) per building. or 50 percent of the exterior walls are either brick, stone, or HardiePlank (or similar) per building. <i>Documentation of materials must be included in the specifications or work write-up. Exterior veneer must be shown on plans.</i>	15			
Energy Efficiency:				
b. Project incorporates Energy Star design features. <i>(Two of the five choices noted in the guidelines must be included in the specs or work write-up; Energy Star checklist must be included with application).</i> or	15			
Project exceeds Energy Star design requirements -or- project will utilize the HERS rating system. <i>(Four of the five choices noted in the guidelines must be included in the specs or work write-up; Energy Star checklist must be included with application. Projects using the HERS rating system must demonstrate a home energy rating lower than 70 based on the RESNET scoring system. (Refer to KHC Multifamily Guidelines).</i>	25			
c. Project exceeds 2009 International Energy Conservation Code (IECC) by 20%. <i>ResCheck certificate(s) as proof energy efficiency exceeds the 2009 IECC by 20% is submitted along with inclusion of foundation-to-roof wall detail with the application's preliminary plans.</i>	5			
Green Building:				
d. Overall project design includes green construction techniques. <i>(A minimum of six of the green construction techniques noted in the guidelines must be included in the plans, specs or work write-up; green construction checklist must be submitted with application).</i>	15			
2. Plans and Specifications				
<i>Based upon the preliminary plans, specifications, or work write-up submitted, plans and specifications must be detailed enough to determine the following:</i>				
a. Plans are submitted to proper scale and satisfy KHC guidelines for preliminary plans. Scattered site projects must submit a minimum 35% of site plans and complete preliminary floor plans for all respective unit designs. Specs are in proper format identified in the guidelines. or	15			
b. Both plans and specs are submitted but one of the two will require revision(s) in order to satisfy KHC guideline requirements for preliminary plan or specs. or	5			
c. Neither plans or specs satisfy KHC guidelines.	0			

<p>3. Floodplain</p> <p>a. Project is not located in a flood zone or waterway.</p> <p><i>Proof must be submitted in one of the following forms (local jurisdiction database info is not acceptable):</i></p> <p>a.) FEMA map with the project location clearly marked showing the project located outside of floodplain.</p> <p>b.) Flood determination certificate indicating the project site is not in a floodplain. The certificate must be from a Flood Zone Determination Company listed by FEMA.</p> <p>c.) A signed, stamped and dated letter from a licensed surveyor stating the project site is not located within a floodplain. Projects in which any portion of a property is located in the floodplain on a FEMA map must submit a signed, stamped and dated survey showing location of floodplain and all existing building structures.</p>	20			
<p>4. Zoning</p> <p>a. Site is properly zoned. If no zoning exists, the applicant must submit a letter from the county judge executive or mayor who has jurisdiction, indicating this is the case.</p> <p style="text-align: center;">or</p> <p>b. The site is not properly currently zoned for its intended use, but a zoning change is imminent. The applicant must submit a letter from the local zoning board or mayor which states that the zoning change has already been through the necessary process and approval is imminent. The letter must also indicate when the final approval for the zoning change will be issued. All zoning changes must be approved and in place by the technical submission due date.</p> <p><i>A local zoning map that shows the classification of the proposed site and neighboring sites and a detailed description of what is allowed in each zoning classification must be provided as an attachment (see application checklist). The location of the site must be clearly indicated on all copies of the map. A letter from the local zoning board or governing authority which indicates the proper zoning classification must also be attached.</i></p>	15			
	5			
<p>5. Preservation of Existing Affordable Housing</p> <p>a. For projects proposing the preservation of an existing affordable housing development previously assisted with Housing Credits in which the initial 15-year compliance period has expired, one point will be awarded for each additional year beyond the initial 15-year compliance period, for a maximum of 10 points. Note: Applicant must provide the initial KHC-assigned KY # tax credit identifier number.</p> <p style="text-align: center;">or</p> <p>b. For projects proposing the preservation of an existing affordable housing development that also receives project-based rental assistance (i.e., Rural Development, HUD or KHC) on at least 50% of the units, and has not had substantial rehabilitation since its original placed-in-service date, one point will be awarded for each additional year beyond the initial 15-year compliance period, for a maximum of 10 points. Note: Project is not required to have prior participation in the Housing Credit program.</p> <p><i>Points will not be awarded if the new/proposed owner has past non-compliance issues identified during the development team capacity scoring for which it received negative points.</i></p>	10			
	10			

6. Creation of Units in Underserved Counties or Conversion of Units from Vacant, Foreclosed or Bank-Owned Properties

NOTE:

- A maximum of two projects will be funded in each underserved county, including Frankfort and Franklin County.
- A project may only receive points in one of the following categories: a, b or c (i or ii).

a. The proposed project includes new rental units (new construction or adaptive reuse) in a county with no KHC-supported developments for the previous 10 years. Refer to KHC's Web site for a list of Kentucky counties and number of KHC-supported developments.

OR

b. The proposed project includes new rental units (new construction or adaptive reuse) in a county with no KHC supported-developments for the previous 5 years. Refer to KHC's Web site for a list of Kentucky counties and number of KHC-supported developments.

OR

c. The proposed project will convert vacant, foreclosed structures or bank-owned properties into rental housing. Points are awarded based on the number of affordable rental units that are converted from the vacant, foreclosed or bank-owned structure as a percentage of the project's total units.

i. At least 50% of the units will be developed from space that was previously vacant, foreclosed, or bank owned.

OR

ii. More than 50% of the units will be developed from space that was previously vacant, foreclosed, or bank owned.

If any space in the existing structure will be used for a purpose other than affordable housing, the applicant must state the intended use of the remainder of the vacant structure.

7. Site Control

All site control documents must be fully executed and sufficiently identify the subject property. Acceptable forms of site control are: a) property deed; b) current purchase contract (if the purchase contract expires prior to closing, must provide proof that the property can be purchased prior to closing); c) current option to purchase (must be extended through announcement period and contain a clause for renewal, if no renewal clause, then proof must be provided evidencing the means to purchase the property prior to closing); or d) current lease agreement/option to lease (lease period must be through entire affordability period).

For scattered site projects with six or more buildings, where 50% or more of the sites are non-contiguous, proof of site control must be provided for 35% or more of the total sites.

Deed restrictions affecting the proposed site must be submitted for review.

a. Has site control (on all sites). If it is a scattered-site project where 50% or more of the sites are non-contiguous, site control must be obtained for at least 35% of the sites. (Please refer to guidelines.)

OR

b. Has some site control (but not on all sites). Scattered-site project has less than 35% site control.

10			
5			
5			
10			
15			
5			

10. Nonprofit Supportive Housing Pool

Applicants proposing permanent supportive housing must provide a supportive service plan. The plan must address the following items, and must include letters of service commitment and a commitment to refer targeted households to the project. The letter of referral must state an estimate of households to be referred on an annual basis. Note: if the project is applying in multiple pools, the points in this category will only be applied if the project is funded in the nonprofit supportive housing pool.

- a. The population being served and the experience the support provider has serving that population.
- b. How the supportive service plan will address the needs of the specific population.
- c. How the success of the supportive services plan will be evaluated; the formal and informal methods that will be used to evaluate success of the development in meeting the individual needs of the residents, as well as addressing overall issues of the population.
- d. How residents will be linked to services not directly offered by the primary service provider.
- e. The source of funding for the services and how the project plans to sustain supportive service provisions over the life of the compliance period.

Each supportive housing service plan will be evaluated for completeness and likelihood of long term success. Applications adhering to KHC's principles of supportive housing and include a supportive service plan that thoroughly addresses each item, and contain a committed source of funding, will be awarded 25 points.

5

5

5

5

5

TOTAL PROJECT DESIGN, LOCATION, AND READINESS TO PROCEED POINTS: 190 possible

190

0

0

0

KHC Review Comments:

C. FINANCIAL DESIGN

Selection Criteria - 100 Points Possible

The Financial Design section will be scored based on the revisions made to the underwriting model during the underwriting review. The underwriting model submitted with the application, along with the information contained in the application, will be reviewed. If a contradiction exists between the underwriting model and the application, the information in the underwriting model will be used. The project must remain financially feasible (all program guidelines met, rents and expenses reasonable, balanced Sources and Uses, debt coverage ratio meets KHC standards), after underwriting changes are made. If the changes cause the project to no longer be financially feasible, the project will not receive funding. If it is found that a project is not financially feasible, regardless of the points scored, the application will be rejected. In addition, the applicant must submit all required financial review documentation in order for KHC to determine the credit worthiness of the development team. If the documentation is not submitted for this review, the application will be denied.

	Possible Points	Self Score	KHC Preliminary Score	KHC Final Score
<p>1. Debt Coverage Ratio (DCR) and Cash Flow</p> <p><i>Applications that meet KHC guidelines for DCR and project cash flow, after KHC's underwriting analysis, shall receive points in this section. A DCR of at least 1.20 is required in year one for all projects, except Risk Sharing projects which require a 1.25 DCR in year one. KHC requires the DCR and cash flow of credit only projects to remain positive through year 15. Projects with KHC loan funds must remain positive through the applicable affordability period. KHC may make adjustments for items including, but not limited to, rents, utility allowances, construction expenses, annual expenses and allowable fees, as well as any requirements of the syndicator. When calculating the DCR, KHC will go out 2 decimal places.</i></p>				
<p>a. Project meets KHC guidelines for DCR and cash flow after KHC's underwriting analysis and any necessary adjustments.</p>	15			
<p>2. Cost Containment</p> <p><i>Projects that remain within the correct applicable KHC cost containment limit will receive points in this section. KHC's cost containment guidelines can be found on KHC's Web site under Housing Production, Multifamily Finance, Reference Materials. Projects that obtain prior approval from KHC to exceed the applicable KHC cost containment limit will not be eligible for this scoring category. All projects seeking to exceed the KHC cost containment limit must adhere to the policies outlined in the QAP.</i></p>				
<p>a. Project is within KHC's cost containment guidelines.</p>	25			
<p>3. Maximum Allowable Fees</p> <p><i>All applicants will be limited to the applicable fee structure as stated in KHC's Multifamily Finance Guidelines, regardless of the total project costs. When calculating the fee percentage, KHC will go out 2 decimal places.</i></p>				
<p>a. All project-related fees are within the applicable maximum limits. (Refer to KHC Multifamily Finance Guidelines)</p>	15			

4. Housing Credit Commitment

Equity commitments must contain the specific terms for the purchase of credit (credit pricing, amount of annual credit anticipated, total equity investment, pay-in schedule, identify the amounts of required fees and required reserve account amounts, etc.). The commitment must be on the equity provider's letterhead, identify the project name and be dated and signed. Equity commitments must be current and relative to the project seeking funding from KHC. It is KHC's sole discretion to determine the points awarded for housing credit commitments and all determinations will be final.

a. Projects requesting Housing Credit have submitted a firm commitment or a letter of intent from their equity provider that clearly represents the equity provider's willingness to purchase the credits at the stated terms and meets the standards outlined above.

or

b. Projects requesting Housing Credit have submitted a letter of interest from their equity provider that does not adequately represent the project and contains very few details of the transaction (see required terms above).

15

0

5. Federal Historic Tax Credits

At least 50% of the total units must be located in eligible historic buildings in order for a development to receive points in this category.

a. Projects proposing Federal Historic Tax Credits must provide a letter of intent from an investor to purchase the credits. **(A copy of Part I of the "Evaluation of National Register Status" as submitted to SHPO must also be provided - see application checklist).**

5

6. Funding Commitments (non-KHC)

Applicants that are bringing other sources of funds into the project (non-KHC funds) must submit a commitment letter from the outside funding source(s) identified in the KHC application and underwriting model. The letter(s) must be specific as to the amount and terms of the funding and must be on the funding source's letterhead, dated and signed by an authorized representative of the entity providing the funds. Commitment letters must be current and relative to the project seeking KHC funding. Refer to the Multifamily Guidelines for further guidance.

Other non-KHC funds may include, but are not limited to, Federal Home Loan Bank, HUD HOPE VI, HOME or CDBG funds from a local government. KHC will accept evidence of an application for non-KHC fund along with a written guarantee from the developer that if they are not awarded the funds for which they applied, the developer will contribute the amount of funds for which it applied (developer must also include evidence of its financial ability to guarantee the funds). Loan commitments must list the rate (actual and effective rate, if applicable), term and amount of the loan, as well as the expiration of the commitment, if applicable. Grant commitments must list the grant amount and expiration, if applicable. Commitment letters may contain standard due diligence and verification requirements of the lender.

If one or more non-KHC funding source does not have a commitment letter that meets the standards described above, or if a commitment letter is not submitted, no points will be awarded in this category.

a. All funding commitments are firm and documentation has been submitted to KHC (exclusive of Housing Credit equity). Pre-application or approval letters from RD or HUD are eligible for points in this section.

20

or

b. Some funding commitments are firm and some are letters of intent.

15

7. Leveraged Funds

A maximum of 20 points will be awarded for leveraged funds proposed as a permanent investment in the project. "Leveraged funds" is defined as: KHC amortizing loans with at least a 3.5% interest rate and a term of at least the length of the affordability period, up to a maximum 30 years (40 years for Risk Sharing loans) AND/OR other non-KHC resources. The percentage will be determined by dividing the amount of non-KHC resources and KHC amortizing resources, with an interest rate of at least 3.5%, by the project's total development cost. Non-KHC resources include all sources of funding in the proposal except LIHTC equity or deferred developer fee. Construction or bridge loans will not be included in this calculation. When calculating the percentage of leveraged funds, KHC will go out two decimal places.

- a. For new construction or adaptive reuse projects, two (2) points will be awarded if leveraged funds are at least 6% of the total development costs, with an additional two (2) points for every additional one percent (1%) of leveraged funds, up to a maximum of 20 points if leveraged funds are at least 15 percent (15%) of the total development cost.

or

- b. For rehabilitation of existing housing units, two (2) points will be awarded if leveraged funds are at least 21 percent (21%) of total development costs, with an additional two (2) points for every additional one percent (1%) of leveraged funds, up to a maximum of 20 points if leveraged funds are at least 30 percent (30%) of the total development cost.

Note: Any contributions to the project by any member of the development team must be in writing, guaranteed by the contributor, and cannot be reduced after the conditional commitment of KHC resources have been awarded.

20

20

TOTAL FINANCIAL DESIGN POINTS:

115 possible

115

0

0

0

KHC Review Comments: