



**Notice of
Funding
Availability**

2024

**KHC Tax-Exempt Bonds + Gap Financing for
Western Kentucky Disaster Response**

INTRODUCTION

A core function of Kentucky Housing Corporation (KHC) is to invest in quality, safe, and affordable rental housing throughout Kentucky. As demand grows for capital for the preservation and creation of affordable multifamily housing, KHC has continued to utilize conduit tax-exempt private activity bonds (Tax-Exempt Bonds) which allow projects to access 4% Low-Income Housing Tax Credits. Four percent tax credits are not limited by Kentucky's annual credit allocation and may be accessed when at least 50% of eligible development costs are financed by tax-exempt bond proceeds.

To assist the recovery efforts in the most-impacted Western Kentucky counties as a result of the December 2021 tornadoes, KHC is making available a combined total of **\$16.5 million** of HOME Investment Partnerships (HOME), Affordable Housing Trust Fund (AHTF), National Housing Trust Fund (NHTF), and Rural Housing Trust Fund (RHTF) funds (collectively, the "funds") to be exclusively utilized for the construction of new affordable multifamily rental units as described within this Notice of Funding Availability (NOFA). These KHC funds will be made available with applications due on or before February 29, 2024. **KHC reserves the right to fund any project, or no projects, at its sole discretion.**

In addition, the Department for Local Government (DLG) has made available **\$18.1 million** of Community Development Block Grant disaster recovery (CDBG-DR) funds to be allocated for new construction projects located in Graves, Hopkins, and Warren counties, with a maximum award of \$5 million per project. DLG will conduct a separate application process for the CDBG-DR funds following the same timeline as the KHC NOFA; however, applicants must indicate in their KHC application their intent to apply for CDBG-DR funds. KHC and DLG may share application information and documents for applicants seeking funding from both agencies.

KHC and DLG anticipate that Funds will be awarded in May 2024, and the selected projects will close on all funding sources by **May 2, 2025**. This NOFA describes the types of eligible projects and the allocation process through which these funds will be awarded.

Purpose of this NOFA: This notice serves as a streamlined, initial announcement of funds available. Respondents will submit applications through KHC's [Universal Funding Application \(UFA\)](#) system using the "2024 Tax-Exempt Bond WKY-DR NOFA" Application.

Project eligibility: Only new construction projects located in Barren, Caldwell, Christian, Fulton, Graves, Hart, Hickman, Hopkins, Logan, Lyon, Marion, Marshall, Muhlenberg, Ohio, Taylor, and Warren are eligible to apply under this NOFA. Preference will be given to projects located in the most impacted counties of Graves, Hopkins, and Warren. **Rehabilitation of existing buildings is ineligible.**

Project versus property: In this NOFA, “project” refers to the property or properties included in the NOFA response. “Property” refers to an individual multifamily property. Therefore, a “project” may include three or more “properties” bundled into a portfolio for an overall NOFA application.

Funding sources and regulations: KHC and DLG specifically reserve the right to fund no responses or to fund any response submitted under this NOFA with any of the sources of funding being made available. Accordingly, respondents should note that developments receiving federal funding will be required to comply with the applicable federal regulations. HOME and/or NHTF funds may trigger Uniform Relocation Act requirements, and income restrictions may render current tenants ineligible for Tax Credit, HOME, NHTF, and/or RHTF-assisted units.

Rents: When calculating the applicable rent limits under the Tax-Exempt Bond program, applicants must manually change the rent restriction program in the [Novogradac Rent & Income Calculator](#) to “IRS Section 142 Tax-Exempt Bond” and change the persons per bedroom to 1.5 (the calculator automatically defaults to 1 person per bedroom). **When layering funding resources, the most restrictive rent limit will apply.** Applicants are advised that proposed rents may never exceed market rents unless the unit is covered by a project-based rental assistance contract.

Average Income Test: Tax-Exempt Bond projects may elect the average income option for the purposes of the 4% credit allocation; however, they must still meet a 20/50 or 40/60 minimum set-aside. Therefore, a bond project with 4% credits can elect an average income set-aside for purposes of tax credit compliance, as long as the unit mix selected would also meet either a 20/50 or 40/60 minimum set-aside test for purposes of bond compliance.

Fees: Refer to KHC’s [Multifamily Guidelines](#) for the applicable fee structure.

Point of contact:

Questions regarding KHC funds should be directed to Terry Helton, KHC’s Managing Director of Multifamily Programs, toll-free at 800-633-8896 or 502-564-7630, extension 253 or email thelton@kyhousing.org. General questions about projects to be submitted under this NOFA should be sent to multifamily@kyhousing.org.

Questions regarding CDBG-DR funds should be directed to Travis Weber, Housing and Communities Branch Manager, Kentucky Department for Local Government, at 502-892-3185 or email travis.weber@ky.gov.

Summary of NOFA Funds Available

Source	Total Available	Maximum Per Project	Notes
<i>KHC Sources*</i>			
Tax-Exempt Bonds	\$50 million	Limited to 50% of total development costs	All projects must utilize a minimum of \$3 million in tax-exempt bonds (conduit bonds with private placement).
4% Low-Income Housing Tax Credits (LIHTC)	Limited by IRS	Based on eligible basis and investor interest	Accessed when 50% of eligible TDC is financed with tax-exempt bonds.
HOME Investment Partnerships Program (HOME)	\$6 million	Based on demand	Must be utilized to provide housing for those at 60% AMI or lower.
National Housing Trust Fund (NHTF)	\$5 million	Based on demand	Must be utilized to provide housing for those at 30% AMI or lower. Project-based rental assistance is required.
Affordable Housing Trust Fund (AHTF)	\$1 million	Based on demand	Nonprofit entities only. Must be utilized to provide housing for those at 60% AMI or lower.
Rural Housing Trust Fund (RHTF)	\$4.5 million	Based on demand	Must be utilized to provide housing for households at 120% AMI or lower.
<i>Non-KHC Sources</i>			
Department for Local Government (DLG) CDBG-DR	\$18.1 million	\$5 million	Applicants must submit a separate application to DLG. CDBG-DR funds will be approved and disbursed by DLG. Funds will be structured as a 20-year deferred loan at 0% interest, due at maturity.

**KHC reserves the right to alter funding amounts and/or mix funding sources. The amount and terms of any KHC resource awarded to a project is at KHC's sole discretion. Final award amounts will be determined by KHC's underwriting and appraisal review.*

KHC FUNDS AVAILABLE*

**Pursuant to national and state fair housing laws, KHC reserves the right to examine all applications in terms of any possible disparate impact which may present artificial, arbitrary, and unnecessary barriers to minorities as well as for any valid government interest which might be served. KHC reserves the right to administer and to modify and adjust any allocation as it deems appropriate to accomplish its housing goals, including its goal of creating and enhancing housing choices in areas of opportunity (maximizing leveraging of available program resources and encouraging geographic distribution).*

HOME GAP - \$6 MILLION

Eligibility Criteria: To the extent that a respondent requests HOME Gap together with other Funds, there must be a clear demonstration that the HOME Gap is necessary for the viability of the project, as proposed.

In addition to the foregoing:

- Rate/Term: 0-3% interest, 20-year term for new construction. Whether the project can support amortizing debt may be considered in KHC's underwriting of the loan request.
- Lien Position: KHC funds will be in first position unless otherwise approved prior to closing.
- HOME funds are **recourse**.
- HOME Gap may be used during construction. However, these funds will not be available at closing. KHC will withhold 10% retainage until project is complete and closed out in accordance with 2023-2024 Multifamily Guidelines.
- KHC may charge up to \$20 per HOME unit for compliance and asset management, subject to change at KHC's sole discretion. The fee will be in addition to the housing credit compliance fees associated with the housing credits.

NHTF GAP - \$5 MILLION

Eligibility Criteria: To the extent that a respondent requests NHTF Gap together with other Funds, there must be a clear demonstration that the NHTF Gap is necessary for the viability of the project, as proposed.

In addition to the foregoing:

- Rate/Term: 0% interest, 30-year term. Whether the project can support amortizing debt may be considered in KHC's underwriting of the loan request.
- Lien Position: KHC funds will be in first position unless otherwise approved prior to closing.
- NHTF funds are **recourse**.
- NHTF Gap may be used during construction. However, these funds will not be available at closing. KHC will withhold 10% retainage until project is complete and closed out in accordance with 2023-2024 Multifamily Guidelines.
- KHC may charge up to \$20 per NHTF unit for compliance and asset management, subject to change at KHC's sole discretion. The fee will be in addition to the housing credit compliance fees associated with the housing credits.
- NHTF funds must be used in conjunction with project-based rental assistance.
- NHTF units must be restricted to serving households at or below 30% AMI.

AHTF GAP - \$1 MILLION

Eligibility Criteria: To the extent that a respondent requests AHTF Gap together with other Funds, there must be a clear demonstration that the AHTF Gap is necessary for the viability of the project, as proposed.

In addition to the foregoing:

- Rate/Term: 0-3% interest, 30-year term. Whether the project can support amortizing debt may be considered in KHC's underwriting of the loan request.
- Lien Position: KHC funds will be in first position unless otherwise approved prior to closing.
- AHTF funds may be non-recourse.
- AHTF Gap may be used during construction. However, these funds will not be available at closing. KHC will withhold 10% retainage until project is complete and closed out in accordance with 2023-2024 Multifamily Guidelines.
- A qualified nonprofit **must** own at least 51% of the general partner interest and materially participate in the management or ownership of the development.

RHTF GAP - \$4.5 MILLION

Eligibility Criteria: To the extent that a respondent requests RHTF Gap together with other Funds, there must be a clear demonstration that the RHTF Gap is necessary for the viability of the project, as proposed.

In addition to the foregoing:

- Eligible applicants are nonprofit housing organizations; for-profit developers; and public housing authorities.
- Rate/term: 0-3% interest, 10-year term. Whether the project can support amortizing debt may be considered in KHC's underwriting of the loan request.
- Lien Position: KHC funds will be in first position unless otherwise approved prior to closing.
- RHTF requires a minimum 10-year affordability period, secured by a deed restriction.
- RHTF funds may be non-recourse.
- RHTF Gap may be used during construction. However, these funds will not be available at closing. KHC will withhold 10% retainage until project is complete and closed out in accordance with 2023-2024 Multifamily Guidelines.
- Eligible projects include those located in the following counties: Barren, Caldwell, Christian, Fulton, Graves*, Hart, Hickman, Hopkins*, Logan, Lyon, Marion, Marshall, Muhlenberg, Ohio, Taylor, and Warren* (*most-impacted counties).
 - **Additionally, the project must be in an eligible RD locality (rural).**
- Household income for RHTF units can go up to 120% AMI; however, the rents should not exceed the applicable tax-exempt bond rents. Applicants should note that under the LIHTC program, the maximum household income is 80% AMI using the Average Income Test option; therefore, if you choose to serve incomes higher than 80% AMI with RHTF funds, those units cannot be tax credit units and will affect the project's applicable fraction.

Projected NOFA Timeline

November 17, 2023	KHC releases NOFA and opens Development Team Capacity application.
January 18, 2024 – 12 noon ET	Development Team Capacity applications due.
February 15, 2024 – 12 noon ET	Pre-submission waiver requests due.
February 29, 2024 – 12 noon ET	Last date NOFA responses may be submitted. KHC reserves the right to extend this deadline as needed to fully utilize resources. Should KHC elect to extend this deadline, announcements will be made via KHC's eGram notification system.
May 2, 2024	NOFA awards announced (<i>announcements may be delayed if the NOFA response deadline is extended</i>).
August 1, 2024 – 12 noon ET <i>(or 90 days from award announcement, whichever is later)</i>	Technical submission complete. Extension requests may be made in accordance with 2023-2024 Qualified Allocation Plan (QAP) and Multifamily Guidelines via waiver. Extension fees apply.
May 2, 2025 <i>(or 1 year from award announcement, whichever is later)</i>	Deadline for closing. KHC may, at its discretion, provide one or more extensions consistent with the procedures set forth in the 2023-2024 QAP. Extension fees may apply.
24 Months After Closing	Projects must be completed and placed in service no later than 24 months after the date of the closing of all KHC funds.

Threshold Criteria For All Projects

1. In addition to the thresholds outlined in this NOFA, applicants must meet the requirements of the 2023-2024 Qualified Allocation Plan (QAP) and 2023-2024 Multifamily Guidelines, including all thresholds applicable to the project type (new supply, special needs populations, etc.). **Applicants are advised to disregard any notation in the Guidelines that indicate a particular threshold is only for 9% LIHTC projects.**
2. All development team members must submit a current capacity approval letter from KHC.
 - a. Development team members with a capacity approval letter expiring in 2023 may submit a written notice of intent to apply under this NOFA and KHC will determine whether to grant an extension. The notice of intent must be submitted to multifamily@kyhousing.org by **12 noon ET Thursday, December 21, 2023.**
 - b. Any development team member with a current capacity deduction is prohibited from participating in a project in connection with the NOFA.
3. Respondents may request waivers of the requirements in the QAP; however, each waiver request must be supported with appropriate justification and shall be accompanied by any applicable fees. Waivers may be considered in KHC's selection process.
 - a. If a project will require a waiver, the approved waiver must be submitted with the application. The deadline to request a waiver is **12 noon on February 15, 2024.**
4. Applicants must utilize a minimum of \$3,000,000 in Tax-Exempt Bonds for construction and/or permanent financing.
5. Applicants must present a project timeline demonstrating the ability to close on all funds requested in this NOFA – including the bond transaction – within the timeframe set forth in this NOFA. Projects must be completed and placed in service no later than 24 months after the date of the closing of all KHC funds.
6. Applicants must engage an attorney or attorneys who can demonstrate a comprehensive understanding of legal and procedural issues related to bond issuances and KHC's general bond policies and procedures.
7. The funds will only be available to projects that have not yet received an allocation of Tax-Exempt Bonds or any other KHC-administered resources.
8. All projects must clearly address one or more impediments to fair housing. Respondents must identify fair housing impediments in KHC's Analysis of Impediments to Fair Housing.
9. Single-family projects and rehabilitation of existing buildings are prohibited.
10. KHC will require a project to recognize other KHC-funded projects in its market study review. In the event two or more projects are submitted from the same geographical region, KHC staff will determine, based upon a market study review procured by KHC, whether the targeted market for that particular region will be able to absorb each project. If the market review shows the target region cannot absorb multiple projects, then the project meeting the most preferences will be approved. Market study considerations may cause a property or a project to be denied funding or have funding reduced during the application and technical submission phase.

Kentucky Housing Corporation Funding Preferences

- Projects utilizing CDBG-DR funds.
- Projects located in most impacted counties (Graves, Hopkins, and Warren).
- Projects proposing to construct new affordable rentals units in two or more of the most impacted counties identified above.
- Projects with a commitment of project-based rental assistance.
- Readiness to proceed (e.g., site control, zoning, firm commitments of other funds, etc.).
- Projects proposing innovative construction practices that deliver units quickly and more cost efficiently.
- Overall scale of the project.
- Lowest KHC investment per unit.
- Projects with a developer and/or co-developer that would qualify for an award of points under Section 5.A of the Disadvantaged Business Participation category of the FY 2024 QAP Scoring.

No Priority. There is no priority to the preferences and the preferences are listed in no particular order.

Tie Breakers:

- Percentage of units covered by project-based rental assistance.
- Percentage of management company's projects with a KHC Asset Management risk score above 70%.

Other Considerations. KHC reserves the right to award any project, or no projects, at its discretion based on the quality and completeness of the submissions received. KHC also reserves the right to take waivers requested into consideration among projects meeting the same number of preferences.

Submission of NOFA Response:

NOFA responses must be submitted to KHC via the Universal Funding Application (UFA) system.

Public Records Acknowledgement:

As part of its response to the NOFA, Applicant acknowledges that it is aware that its response and all materials submitted constitute public records within the meaning of the Kentucky Open Records Act (Kentucky Revised Statutes (KRS) §§ 61.870 to 61.884). Once respondents have been awarded funds through the NOFA selection process, KHC may be required to share submitted materials to satisfy an open records request.

Applicant must also acknowledge and agree that unless such material is segregated and clearly designated by Applicant in its response as eligible for an exemption pursuant to KRS § 61.878, KHC will comply with valid open record requests and make the response material available for inspection and/or copying. Applicant must further acknowledge and agree that even material which is so segregated and designated by the Applicant may become subject to release by KHC upon a successful challenge by a member of the public.