



QUALIFIED ALLOCATION PLAN

2025-2026

Kentucky Housing Corporation
1231 Louisville Road
Frankfort, KY 40601

www.kyhousing.org

502-564-7630
800-633-8896 (KY only)



COMMONWEALTH OF KENTUCKY
OFFICE OF THE GOVERNOR

Andy Beshear
GOVERNOR

Capitol Building, Suite 100
700 Capitol Avenue
Frankfort, KY 40601
(502) 564-2611
Fax: (502) 564-2517

March 7, 2024

Winston Miller
Executive Director/CEO
Kentucky Housing Corporation
1231 Louisville Road
Frankfort, KY 40601

Re: Low-Income Housing Tax Credit Program
Approval of 2025-2026 State Qualified Allocation Plan

Dear Mr. Miller:

In accordance with the recommendation of the Board of Directors of Kentucky Housing Corporation and pursuant to Section 42(m)(1)(A)(i) of the Internal Revenue Code of 1986, as amended, I hereby approve the 2025-2026 State Qualified Allocation Plan for the Low-Income Housing Tax Credit program.

Kentucky Housing Corporation, the duly authorized state housing credit agency in the Commonwealth of Kentucky, shall administer the federal Low-Income Housing Tax Credit program pursuant to the 2025-2026 Qualified Allocation, as hereby amended, effective with the date of this approval letter through December 31, 2026, unless otherwise amended.

Sincerely,

A handwritten signature in blue ink that reads "Andy Beshear".

Andy Beshear
Governor

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I. PROGRAM ADMINISTRATION

Kentucky Housing Corporation (KHC) is the designated administrator of the federal Low-Income Housing Tax Credit (LIHTC) program, governed by Section 42 of the Internal Revenue Code (Code), and all Treasury regulations thereunder, for the Commonwealth of Kentucky.

This QAP is effective for commitments of LIHTC made on or after January 1, 2025.

A. PUBLIC INPUT AND DRAFTING PRINCIPLES

KHC presented the draft Qualified Allocation Plan (QAP) for public review and comment at a public hearing on February 8, 2024 and accepted written comments through February 15, 2024. The announcement for the public hearing was published in accordance with the Kentucky open records law requirements, through KHC's eGram system, and KHC's website.

In addition to considering input from interested parties, the following principles guided KHC in completing the QAP:

- fair distribution of resources across the Commonwealth;
- encouraging participation by disadvantaged groups;
- responsibility to low-income households; and
- selection criteria reflecting
 - how proposals differ in consequential ways,
 - limits on incentives to make problematic choices, and
 - aspects already in place or within a developer's control.

B. FEDERAL REQUIREMENTS

The Code requires QAPs give preference to 9% LIHTC projects:

- serving the lowest-income tenants
- obligated to serve qualified tenants for the longest periods
- located in qualified census tracts and the development of which contributes to a concerted community revitalization development plan

The Code also requires QAPs contain selection criteria considering the following:

- project location
- housing needs characteristics
- project characteristics
- sponsor characteristics
- tenant populations with special housing needs
- tenant populations of individuals with children
- projects intended for tenant ownership
- public housing waiting lists
- energy efficiency
- historic properties

C. REQUIREMENTS AND AMENDMENTS

KHC must comply with applicable federal and state regulatory and programmatic requirements of all resources administered and may amend the QAP as new or updated guidance or requirements become available.

Additionally, KHC may amend, disregard, modify, or withdraw any section of the QAP, including selection criteria, that interferes with an appropriate response by KHC in the event of a:

- conflict with state or federal laws or regulations,
- weather-related disaster,
- major disruption in financial markets,
- substantial change in resources available, or
- other similar unforeseen, consequential circumstance.

D. USE OF DISCRETION

As the administrator of the LIHTC program and other state and federal funding programs, KHC must make decisions and interpretations, including without limitation:

- an application being eligible,
- scoring criteria,
- the amount of resources to award, and
- imposing conditions beyond those generally applicable.

KHC is entitled to the full discretion allowed by law in making all such decisions and interpretations. KHC also may resolve, in its sole discretion, any conflicts or inconsistencies in the QAP and other documents governing KHC's administration of the LIHTC program.

E. DISCLAIMERS AND NOTICE

While KHC may respond to requests for technical assistance, applicants may not rely on KHC for legal or tax advice.

KHC's decision to allocate LIHTC and/or other resources to a project in no way warrants or represents to any sponsor, investor, lender, or other person or entity that a project is viable. KHC makes no representations to the owner or anyone else regarding adherence to the Code, Treasury Regulations, or any other laws or regulations governing the LIHTC program. No member, officer, agent or employee of KHC shall be held personally liable concerning any matters arising out of, or in relation to, the allocation of LIHTC.

KHC may share any 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.

F. FAIR HOUSING AND QUALIFIED CONTRACT

KHC administers a variety of federal programs and is required to affirmatively further the purposes and policies of the Fair Housing Act, which not only prohibits discrimination but directs KHC to take steps to proactively overcome historic patterns of segregation, promote fair housing choice, and foster inclusive communities for all. KHC may determine an application for LIHTC would have one or more disparate impacts in violation of federal law.

By applying for LIHTCs pursuant to this QAP, the applicant waives any and all rights to a qualified contract process with respect to the project to which the application pertains.

II. LIHTC DISTRIBUTION

A. EXISTING SUPPLY SET-ASIDE

Based on the selection criteria in QAP Section III, KHC will award the lesser of:

- 10% of available 9% LIHTCs, or
- two applications

to eligible applications proposing the rehabilitation of existing rent-restricted housing. In the event of inadequate demand among eligible applications, KHC will make additional awards in the New Supply Urban and/or Balance of State set-asides.

B. NEW SUPPLY SET-ASIDE

Based on the selection criteria in QAP Section IV, KHC will award the remaining LIHTCs, as divided below, to eligible applications proposing new construction or adaptive re-use.

1. URBAN

KHC will award up to 33% of 9% LIHTCs available for New Supply to applications in the following counties:

- Jefferson County
- Fayette County
- Boone, Campbell, and Kenton Counties (defined herein as Northern Kentucky)

In the event of inadequate demand among eligible applications, KHC will make additional awards in the New Supply Balance of State and/or Existing Supply set-asides.

2. BALANCE OF STATE

KHC will award the remaining 9% LIHTCs to New Supply applications in other counties. In the event of inadequate demand among eligible applications, KHC will make additional awards in the New Supply Urban and/or Existing Supply set-asides.

C. COUNTY LIMITS

In each allocation round/year, KHC will make no more than one Existing Supply and one New Supply award per county. KHC may exceed the New Supply award limit in the Urban set-aside if all other Urban counties have at least one New Supply award. For purposes of this section, KHC will treat the three Northern Kentucky counties as one.

D. NONPROFIT ADJUSTMENT

If necessary, KHC will adjust the awards under the QAP to ensure the overall allocation results in awarding at least 10% of 9% LIHTCs to applications involving tax-exempt organizations (nonprofits).

Specifically, LIHTCs that would have been awarded to the lowest ranking project(s) that do(es) not fall into one of these categories will be awarded to the next highest-ranking project(s) that do(es) until the overall allocation(s) reach(es) the necessary percentage(s). KHC may make such adjustment(s) in any set-aside.

In order to qualify, the nonprofit must:

- own at least 51% of the general partner or managing member interests;
- materially participate in the project as defined in Code Section 469(h);
- be registered and in good standing with the Kentucky Secretary of State;
- not be affiliated with or controlled by any for-profit entity; and
- include the fostering of low-income housing as one of its exempt purposes.

E. MBE ADJUSTMENT

If necessary, KHC will ensure the overall allocation results in at least one 9% New Supply LIHTC award to an application for which at least one of the developers has been in existence for at least one year and which has received proper Minority Business Enterprise (MBE) certification from the Kentucky Finance and Administration Cabinet (FAC).

The qualifying entity must be able to demonstrate its past development experience and materially participate (Code Section 469(h)) in both the development and operation of the proposed project throughout the 15-year compliance period and must earn a minimum of 25% of the developer fee. The application must contain documentation from the FAC, the MBE entity's history, and any development agreements. In the event the MBE entity is acting as co-developer, the MBE entity may not be a related party to the applicant, developer, or any of its principals.

III. EXISTING SUPPLY SELECTION CRITERIA

KHC will make 9% LIHTC awards based on the following criteria without determining points. In the event multiple applications are substantially identical, KHC will consider the extent to which the property contributes to a concerted community revitalization plan.

A. GREATEST NEED OF REHABILITATION

KHC Design and Construction staff will rank properties based on need after initial inspection.

B. PROJECT-BASED RENT ASSISTANCE

Applications with a higher percentage of units covered by a federal project-based rent assistance contract in place as of the application deadline will have a greater chance of award.

C. REHABILITATION ONLY

To maximize the use of KHC's limited resources in preservation projects, KHC will give preference to applications not requesting acquisition credits. Additionally, in a related-party transaction, KHC will give preference to applications not requesting acquisition credits or KHC gap financing.

IV. NEW SUPPLY SELECTION CRITERIA

KHC will make 9% LIHTC awards based on the following criteria in the Urban and Balance of State set-asides, as applicable.

A. SIGNIFICANT SHARE OF AFFORDABLE UNITS IN COUNTY

Only in the Balance of State Set-Aside. Developments that account for a significant number of total available affordable (income-restricted) housing. The number of affordable units in the development as a percentage of total affordable units available and new units under development in the county (all populations and unit sizes) will be the point value. Counties that have no income-restricted units will receive the maximum points. KHC's application materials contain the number of affordable units in each county.

B. POLICYMAP DATA

Applicants will use <https://www.policymap.com/> to locate their site and provide its information in the three applicable categories below. KHC will rank the applications in each and award points on a relative basis (i.e., the one with the best figure will earn the maximum points). Census tracts with Insufficient Data will earn 0 points. Applications with sites in multiple Census tracts will use the lowest-ranking figures.

1. RENTER COST BURDENS

Housing, Affordability & Cost Burdens, Renter Cost Burdens, All Households Cost Burden
Most recent Census Tract

2. MEDIAN HOUSEHOLD INCOME

Income & Spending, Low & Moderate Income, Median Household Income
Most recent Census Tract

3. EMPLOYMENT DENSITY (BALANCE OF STATE SET-ASIDE ONLY)

Economy, Jobs & Industry, Employment Density
Most recent Block Group

4. ROAD NETWORK DENSITY (URBAN SET-ASIDE ONLY)

Quality of Life, Transportation, Transportation Infrastructure, Road Network Density, Total
Most recent Block Group

C. PERMANENT BELOW-MARKET SOURCES

Applications proposing market-rate units are ineligible for points under this subsection.

1. ELIGIBLE SOURCES

Loans or grants of or from the following will qualify:

- HOME (jurisdictions other than KHC);
- Community Development Block Grant;
- Federal Home Loan Bank;
- established local government housing and/or infrastructure programs;
- public housing authority resources;
- financial institution;
- philanthropic organizations registered in Kentucky.

KHC may approve others prior to the application deadline. For scoring purposes, KHC may disregard a source affiliated with a member of the development team (excluding public housing authorities).

2. TERMS

The source(s) must be listed as a permanent loan in the application with:

- an interest rate of no more than 1%,
- amortization of at least 20 years, and
- no commercially unreasonable fees.

The application must include a firm commitment reflecting the terms above, conditioned only on award of LIHTCs.

3. CALCULATION

KHC will calculate the total amount of qualifying funds committed per unit (excluding one for an employee/manager). For scoring purposes, KHC will reduce the amount from a local government by the cost of any land to be sold to the ownership entity by that local government.

4. SCORING

KHC will calculate the amount of eligible sources per-unit (excluding one manager or employee unit, if applicable), rank the applications from most to least, and award points on a relative basis.

D. LAND DONATION

KHC will award points if the development budget shows no more than \$5,000 in the cost line-items for land and buildings. Either fee simple ownership or a 99-year leasehold will qualify for points.

E. REVITALIZATION PLANS (URBAN SET-ASIDE ONLY)

KHC will award points for developments located in a QCT and the target areas of a formally adopted plan for revitalization, community development, and/or economic development where other investments have/will occur. The plan must have been created or updated within the past 10 years or the application must contain a letter from an elected official stating the plan is still valid and explaining progress made to achieve its goals. Local jurisdiction consolidated plans or action plans as required by HUD do not qualify.

The plan must specifically meet the following (as highlighted by the applicant):

- be geographically specific
- identify goals for outcomes
- include a strategy to secure commitments to support non-housing infrastructure, amenities, and services
- demonstrate the need for community revitalization
- demonstrate the need for new multifamily units in a QCT

F. FAMILY, SENIOR, OR SUPPORTIVE HOUSING

Applications may earn points under one of the following subsections:

1. FAMILY

A family (open-occupancy) property and at least 25% of units have two or more bedrooms.

2. SENIOR

A senior (age-restricted) property with features allowing residents to age in place (as specified in other KHC materials).

3. SUPPORTIVE HOUSING

The project will participate in the Coordinated Entry prioritization process overseen by the applicable homelessness Continuum of Care to serve persons experiencing homelessness, at risk of homelessness, and/or are survivors of domestic violence.

The application documents service coordination by a partnering agency to assist residents with:

- applying for occupancy,
- implementing plans for success in housing, and
- continuing the linkage to supportive services, as needed.

The ownership entity, management agent, and service agency will enter into a Memorandum of Understanding outlining roles and responsibilities.

The ownership entity and management agent will:

- not ask applicants/residents for medical or other protected information unless and only to the extent legally necessary (e.g., processing reasonable accommodations);
- use standard leases with the same rights available to, and responsibilities expected of, all households, including duration of tenancy (cannot be transitional);
- ensure participation in any supportive services is entirely voluntary (not a formal or implied condition of occupancy);
- not give a preference based on either disability type (actual or perceived) or being a client of a particular provider; and
- not engage in medical, therapeutic, or other treatment activities regulated by the U.S. Centers for Medicare & Medicaid Services with respect to the residents. This prohibition does not apply to billing Medicaid for tenancy support services/targeted case management.

G. TIEBREAKERS

In the event more than one application earns the same score, KHC will apply the following tiebreakers in the order listed.

- greatest number of LIHTC units
- demonstration of innovative characteristics
- eligibility for the historic rehabilitation tax credit
- intended for eventual tenant ownership

V. COMPLIANCE MONITORING

KHC has adopted compliance monitoring procedures in accordance with IRC Section 42. These procedures include:

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- The record keeping and record retention provisions of Treas. Reg. 1.42-5(b).
- The owner’s annual certification requirement of Treas. Reg. 1.42-5(c)(1).
- The on-site review of certifications and support documentation for at least 20 percent of the low-income units in each property at least once every three years in accordance with Treas. Reg. 1.42-5(c).
- The on-site inspection provision of Treas. Reg. 1.42-5(d).
- The notification of noncompliance provisions of Treas. Reg. 1.42-5(e), whereby notice is made to owners and the IRS regarding events of noncompliance.
- The established programs of the projects serving special needs will be monitored on an ongoing basis to determine accordance with the original proposal. Homeless special needs groups will be expected to document program outcomes and results.

KHC’s LIHTC Manual (located on the website), as periodically updated, is incorporated herein by reference and applies to all projects that receive or have received a LIHTC allocation.