



# MULTIFAMILY GUIDELINES

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## 2025-2026

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## Introduction and General Information

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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.

It is the applicant's responsibility to read and adhere to the contents of these Guidelines. Applicants may email [multifamily@kyhousing.org](mailto:multifamily@kyhousing.org) for all questions regarding the Guidelines, the Qualified Allocation Plan (QAP), application, or scoring.

### *Current Version Applicability*

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The current version of the Multifamily Programs Guidelines supersedes all previous versions and unless otherwise stated or previously approved, all requirements and policies set forth in these Guidelines will apply to all applications and projects, regardless of when the project received funding.

### *Amendments to the Guidelines or Qualified Allocation Plan*

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

Additionally, KHC may amend, disregard, modify, or withdraw any section of the Guidelines or 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.

Amendments are not limited to, but may perform such acts as cure ambiguities, supply information on omissions, correct inconsistencies, or facilitate the allocation of Low-Income Housing Tax Credits ("LIHTCs" or "Housing Credits") or other KHC resources that would not otherwise be allocated. All amendments will be effective immediately.

### *Program Administration*

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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 may resolve, in its sole discretion, any conflicts or inconsistencies in the Guidelines or QAP and other documents governing KHC's administration of the LIHTC program.

KHC may take all other actions and impose all other conditions which are required by law or which in the opinion of KHC are necessary to ensure the complete, effective, efficient, and lawful allocation and utilization of the LIHTC and other KHC-administered programs. Such conditions may include imposing more stringent conditions than are required by the Code or other federal laws applicable to each project for receipt of LIHTCs and other funding sources administered by KHC throughout the required compliance period and/or other applicable periods.

KHC may publish Multifamily Questions and Answers (Q&A). Any such Multifamily Q&A (as may be amended from time to time) are hereby incorporated by reference.

Guidance from KHC is neither legal advice nor a dispositive decision from KHC. Applicants remain solely responsible for the contents of their applications, and all applications and accompanying documents will be held to the standards set forth in KHC's QAP and Guidelines.

KHC may require additional explanation, documentation, or information pertaining to any portion of the application and/or underwriting model. Additionally, KHC may redirect applicants away from the 9% LIHTC round and into the Tax-Exempt Bond financing + 4% Housing Credits route.

KHC's decision to allocate LIHTCs 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 Kentucky Housing Corporation shall be held personally liable concerning any matters arising out of, or in relation to, the allocation of LIHTCs or other KHC resources.

## *Information Sharing*

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KHC may share all project-related information, including the application, attachments, technical submission documents, and other pertinent materials with other participating funders throughout the life of the project. KHC will not share personally identifiable information unless specifically authorized by the applicant. KHC is a state agency subject to the Open Records Act (KRS 61.870 to KRS 61.884). As such, records maintained by KHC are subject to the Open Records Act and KHC must comply with lawful requests to inspect public records.

## *Application Materials*

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The underwriting model and other KHC-provided forms required to complete the application are located on KHC's website, [www.kyhousing.org](http://www.kyhousing.org). It is the applicant's responsibility to identify and utilize the most current versions of all KHC-provided forms.

## *Environmental Review*

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Applicants for HOME, NHTF, and/or Risk-Sharing funds must contract with a [KHC-approved environmental review preparer](#) to perform the required environmental review.

Once the funding application has been submitted to KHC, applicants cannot proceed with the purchase of 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 letter has been issued.

Applicants must submit to the selected environmental contractor the documents related to the environmental review, which are outlined in [Chapter 10: Document Checklists by Project Stage](#).

All questions regarding environmental reviews for KHC-assisted projects should be sent to [environmentalreview@kyhousing.org](mailto:environmentalreview@kyhousing.org). More information regarding environmental review requirements can be found in KHC's [Multifamily Guidance on Environmental Review Records](#) (ERR) in the HUD Environmental Review Online System (HEROS) or on [HUD's website](#).

## *Eligible Project Types and Tenant Notice*

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Multifamily permanent housing 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

Applicants proposing to serve special needs populations must submit a 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. For all projects, if the provision of services is a component of the program design, tenant participation in those services cannot be a condition of residency nor grounds for denial to lease or eviction from the project.

All projects involving HOME, NHTF, Risk-Sharing, new project-based vouchers, or the transfer of an existing Section 8 HAP contract must provide tenants the:

- Guideform General Information Notice to all current occupants, and
- Move-In Notice to all tenants who move in after application submission

## *Funding Sources Available*

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A brief description of the funding programs administered by KHC is in [Chapter 9: Program Descriptions](#).

KHC reserves the right to reallocate funds in order to fund the maximum number of projects possible. Additional funding may be offered to Tax-Exempt Bond project applications if funds are available.

## *Funding Request Limitations*

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Projects requesting 9% Housing Credits are limited to a combined amount of HOME and/or AHTF equal to the lesser of \$50,000 per unit or \$750,000 per project, of which no more than \$300,000 may be requested from AHTF. There is no per-project limit on NHTF funds.

Non-Housing Credit projects are limited to a HOME request equal to the lesser of 85% of the applicable HOME maximum subsidy limit or \$1,000,000 total. The maximum request for AHTF funds is \$300,000 per project, whether used with other KHC resources or as the sole source of KHC funds.

## *Maximum Credit Cap Requirements*

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All users are restricted to a maximum of \$1,500,000 in annual Housing Credit based on their involvement in projects as the applicant/developer, general partner, guarantor, or any other party receiving 25% or more of the developer fee as evidenced in the application, developer/consultant certifications and final cost certifications.

“Users” to which the credit cap applies, are general partners, parent organizations of general partner entities, affiliates of the general partner, or managing members of entities to which Housing Credits have been awarded. “Affiliate” is any entity that directly or indirectly controls another entity or has a controlling interest in the entity.

“Controlling Interest” is defined as the possession – direct or indirect – of 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. In addition, “controlling” means the possession – direct or indirect – of 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. These definitions do not include the relationship of syndicator or limited partner.

- Organizations acting as users, general partners, or developers are limited to a maximum of \$1,500,000 in annual Housing Credits based on the determination made by KHC in the capacity of Development Team review.

An “organization” to which this cap applies, is defined as the actual entity indicated in the application and any parent organization or affiliate of such entity (see the preceding paragraph for definitions of affiliate and other applicable terms). This restriction includes any applications in which such organization is indicated as a general partner or developer. If a developer enters any additional projects after reservation agreements are issued, these will count against their cap for the following year. Full disclosure of relationships between all Development Team members must be included in the application.

At the time of reservation and allocation, each general partner and developer must execute a certification that their participation in Housing Credit projects is limited to the maximum credit cap amounts. If an entity does not fully disclose all participation, then such entity may be suspended from participating in the Housing Credit program for one year from the date of discovery by KHC, as noted in KHC’s [suspension and debarment policy](#).

KHC reserves the right to determine to which entities the maximum credit cap may apply. Any such determinations shall apply only to the applications received in the current funding round and shall not be bound or limited by any determinations made by KHC for any previous year. The annual credit amount for each project will be applied to each general partner, developer, guarantor, or consultant (earning 25% of the developer fee or more) regardless of ownership interest. Thus, a 51% general partner will have the entire project credit amount applied toward its cap, rather than 51% of the credit amount. However, Tax-Exempt Bond projects are not restricted to this cap.

## ***Administrative Waivers***

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Applicants seeking a waiver to any KHC policy or requirement must submit a waiver request and pay a nonrefundable fee, adhering to the following policies:

1. A separate waiver must be submitted for each KHC policy or requirement for which a waiver is being requested – two or more waivers may not be combined into a single waiver request form.
2. The waiver request must be submitted by the project owner or developer.
3. The waiver fee is due at the time the waiver is requested.
4. Waivers requested prior to application submission must utilize the [Pre-Application Waiver Request Form](#) and must be submitted no less than seven (7) days prior to the application submission deadline to receive consideration.
5. Applicants may not request a waiver to any threshold requirement.

6. Any waivers requested after application submission must be submitted via the UFA system.
7. Waiver requests must contain sufficient justification of the need for the waiver and appropriate supporting documentation.

Multiple waiver requests for the same project or by the same developer for multiple projects may be considered a capacity violation and affect scoring in current and/or future funding rounds.

## CHAPTER 1: Project Timeline and Fees

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Failure to meet the timeline dates below may result in penalties and/or forfeiting an award.

### *Project Timeline*

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#### **Development Team Capacity Application**

Development Team Capacity Applications are due in the same calendar year as the funding application but not less than 60 days prior to the funding application submission deadline.

#### **Application Submission**

The dates for the opening of the Universal Funding Application (UFA) and application due dates will be announced via KHC's [eGram service](#).

#### **Technical Submission**

Technical submission items are due by 12 noon ET on the date noted in the preliminary approval letter.

#### **Carryover Submission**

Carryover documentation for Housing Credit projects must be submitted no later than the Thursday before Thanksgiving each year. Late submissions will incur a one-time fee of \$1,000.

#### **Project Closing**

Applicants will have 18 months from the date of KHC's preliminary approval letter to close with their equity investor, bond purchaser, permanent/construction lenders, and on all KHC loans; otherwise, KHC's award to the project shall expire and be null and void and of no further force and effect.

### *Project Fees*

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All projects will be subject to payment of certain fees, as applicable. Please note the following:

1. All fees outlined below are nonrefundable, whether in whole or in part.
2. All fee payments must be submitted electronically via the UFA system using the correct fee type.
3. For fees that represent a percentage of the Housing Credit allocation, the fee amount should be rounded to the nearest whole dollar.
4. All fees and/or other amounts due to KHC must be paid by the stated deadline; applicants may not delay payment pending receipt of fund disbursements from KHC or any other entity.
5. Applicants may not pre-pay fees prior to application submission.
6. KHC may alter its fee structure at any time.

#### **Development Team Capacity Application Fee**

The development team capacity application fee is due for each entity on the development team for which approval is being requested (developer, co-developer, management company, consultant).

- \$500 per each nonprofit entity
- \$1,250 per each for-profit entity

## Application Fee

The following application fees are charged for each project submitted.

- \$3,000 for nonprofit applicants (Housing Credit only)
- \$4,000 for all for-profit applicants (Housing Credit only)
- \$4,000 per property for Tax-Exempt Bond projects
  - Portfolio transactions must pay an application fee for each property, plus a \$1,000 portfolio application fee for the top-tier (“parent”) project.
- \$500 for non-credit project submissions from nonprofit developers
- \$750 for non-credit project submissions from for-profit developers

## Initial Inspection/Site Review Fee

Projects proposing the rehabilitation or adaptive reuse of existing structures must pay an initial inspection fee of \$400 per property for non-credit projects, and \$1,250 per property for Housing Credit projects. Projects proposing new construction must pay a \$750 site review fee for each site.

## Market Analysis Review Fee

A market analysis review fee of \$1,200 must accompany each Housing Credit application. Portfolio transactions will require a separate market study and market analysis review fee for each property.

## Housing Credit Reservation Fee

A reservation fee of 10% of the amount of Housing Credit reserved for a project is due to KHC within two weeks from the date of the preliminary award letter. Failure to do so will result in recapture of the Housing Credit award. KHC will not grant extensions.

## Pre-Development Loan (PDL) Closing Fee

Pre-development loan requests are subject to a \$7,500 closing fee.

## SMAL Origination Fee

An origination fee of 1% of the mortgage amount is due at the loan closing.

## Technical Submission Extension Fee

Projects may request a maximum of three, 30-day extensions; however, no extensions will be granted for firm funding commitments. The first extension is \$2,000, the second is \$4,000, and the third is \$6,000. There is no fee for projects only receiving federal funding from KHC. Extension fees must be paid prior to the expiration of the deadline.

## Subsidy Layering Review Fee

KHC will charge a \$5,000 fee to perform the required subsidy layering review on behalf of a public housing authority. The fee will be due at the time the subsidy layering review request is made.

## Failure to Meet Deadline Fee

Any project that fails to meet a KHC deadline without requesting an available extension (as applicable) prior to the expiration of the deadline will incur a \$5,000 penalty fee, in addition to the extension fee.

## Unauthorized Early Closing Fee

Any project that proceeds with the closing of any property acquisition, loan, and/or equity prior to KHC issuing its final underwriting approval and issuance of the final credit reservation letter (if applicable) must pay an Unauthorized Early Closing Fee of \$7,500 *in addition* to any other fees applicable to and associated with such closing. The owner/developer will be subject to a capacity score reduction for future funding rounds if the early closing was not authorized by KHC via a waiver request.

On a case-by-case basis, KHC may, at its sole discretion, consider allowing an applicant to close on property acquisition only prior to final underwriting approval with written notification to KHC and compelling justification that it is in the best interest of the project to allow the early acquisition of the property. If federal funds are involved, the site must have environmental clearance prior to acquisition.

## Early Start Fee

Any project that requests and receives approval from KHC to begin construction activities prior to receiving a Notice to Proceed from KHC must pay an Early Start Fee of \$5,000. Refer to KHC's [Early Start of Construction policy](#).

## Unauthorized Early Start Fee

Any project that begins construction activities of any type prior to receiving a Notice to Proceed or a signed Early Start authorization from KHC must pay an Unauthorized Early Start Fee of \$10,000. Unauthorized early starts of construction will also result in a capacity violation for future funding rounds.

## Construction Inspection Fee

Owners must pay a fee of 1.75% of the Housing Credit allocation amount before the start of any construction activities. Owners of non-credit projects must pay a one-time fee of \$1,500.

## Re-inspection Fee

KHC will charge a re-inspection fee of \$500 under the following circumstances:

- Units for which a KHC Construction Specialist must perform more than one final inspection due to the project not being 100% complete.
- Failure to have work ready for inspection at the scheduled site visit appointment time.
- Failure to have a Development Team representative on the project site during the inspection.
- Unsuccessful attempts due to the Development Team not coordinating the inspection with tenants, or other involved parties, which renders the unit inaccessible for inspection.
- A hazard exists at the project site which endangers the welfare of the KHC Construction Specialist. Examples: bed bug infestation, poisonous snake infestation, uncontrolled animals, etc.

KHC will not charge a re-inspection fee if the owner provides the KHC construction analyst a minimum 48-hour written cancellation or reschedule notice, or for follow up inspections to verify correction of deficiencies observed during any previous interim inspection. All re-inspection fees must be paid prior to KHC approving future draw requests or issuance of the IRS Form(s) 8609.

## Administrative Waiver Fee

KHC will charge a \$500 fee for each waiver request (including forgiveness of a specific fee). If the applicant fails to pay the waiver fee at the time of submission or does not follow the prescribed waiver process, the fee increases to \$1,000.

## Changes to Project Design Fee

KHC will charge a \$500 fee for each request to change the project design (e.g., site plan, pledged amenities, revisions to scope of work or materials, number of affordable units, etc.). There will be no fee for non-Housing Credit projects; however, KHC still requires written notification of such changes.

Based on the extent and substance of the proposed changes, KHC may, at its sole discretion, require the owner to withdraw the application and resubmit in a future funding round. In such case, any fees previously paid will not be refunded or credited toward the subsequent application.

## Carryover Extension Fee

Owners who do not submit the required carryover documentation by the deadline must pay a one-time fee of \$1,000.

## Late Submission of Construction Completion/Placed-in-Service Stage

Owners who do not submit the construction completion/placed-in-service stage within 2 months of the date of KHC's final inspection must pay a \$1,000 fee for each month beyond the due date. Additionally, KHC may issue a capacity deduction in current or future funding rounds.

## Late Submission of 8609 Application Fee

Owners who do not submit the 8609 application and all required attachments within 4 months of submission of the project completion/placed-in-service stage must pay a \$1,000 fee for each month beyond the due date.

## Reissuance of 8609 Fee

For each instance of correcting and reissuing an IRS form 8609, owners must pay \$1,000 for each form corrected (unless made necessary due to KHC error).

## Compliance Annual Report/Monitoring Fee

Owners must pay an annual compliance monitoring fee, submitted with the compliance monitoring report according to the [fee schedule](#) on KHC's Compliance and Asset Management web page. The amounts are subject to periodic adjustment.

## Tax-Exempt Bond Fees

In addition to the fees outlined above, Tax-Exempt Bond projects are also subject to the following fees:

- Portfolio Application Fee: \$1,000 per project (regardless of number of properties in the project).
- Credit Allocation Fee: 10% of the requested 4% credit allocation at equity closing. Owners will pay additional fees if the allocation amount increases prior to issuance of Form(s) 8609.
- Issuer Fees: Fee is based on the initial inducement amount at \$3.50/\$1,000 of bond principal amount for all bond issues rated "A" or better (private placement or publicly offered) and \$6.00/\$1,000 of bond principal amount for unrated private placement of bonds. Half of the initial

issuer's fee is due within two weeks of inducement resolution, with the remaining balance due at the bond closing. KHC will not grant extensions.

- Annual Issuer Fees: \$1.25/\$1,000 face value of the original bond issuance amount or an eighth point (covers annual compliance and financial reviews). The first year's Annual Issuer Fee based on the full bond amount is due and payable at the bond closing with annual payments thereafter as long as bonds are outstanding. The owner and/or bond trustee must submit to KHC annually, on the anniversary of the placed-in-service date, an amortization statement of the outstanding bond amount so that KHC may accurately invoice the annual issuer's fee.
- Issuer's Counsel: \$0.75 per \$1,000 of principal amount of bonds, with a minimum of \$15,000 and a maximum of \$25,000 (one-time fee paid at closing).
- KHC Administrative Fee: \$5,000 one-time fee. The administrative fee is due at closing (in the event the project fails to close, this fee will remain due).
- Updated Resolution Fee: \$2,500 if a project must be reinduced or have the final board resolution extended and \$5,000 for each subsequent update.
- Inducement Agreement Extension Fee: \$1,000 fee per extension. If approved, the Inducement Agreement may be extended until the date specified on the timeline submitted by the project owner, or such date as determined reasonable by KHC.
- Tax-Exempt bond projects that are not able to meet the applicable closing deadline, but wish to reauthorize the bond cap reservation, must pay a \$3,500 reauthorization fee per property (in addition to the applicable closing extension fee). Projects approved for a reauthorization of bond cap must close within 30 days of the reauthorization.

## Risk-Sharing Fees

An application fee of \$3,500 for each Risk-Sharing project is due within two weeks from the date of the preliminary approval. The following fees are due at closing:

- Commitment fee of 3% of the loan amount.
- Upfront mortgage insurance premium (MIP) equal to 0.5% of the loan amount will be due at the closing of the permanent mortgage.
- There is also a monthly MIP of 0.5%.
- Closing fee of \$5,000, not including the title policy cost.
- Custodian fee of \$7,500, which includes the first-year annual fee of \$2,250, acceptance fee of \$3,250, and outside counsel opinion fee of \$2,000.
- Mortgage reserve deposit equal to the first two (2) full loan payments.
- Interest reserve subaccount deposit equal to the first full month's interest payment based on KHC's current interest rate.

## Recovery Kentucky Fees

Recovery Kentucky projects will be charged an annual project oversight administrative fee by KHC.

- The annual fee is \$14,000 for projects with KHC-administered vouchers
- The annual fee is \$7,500 for projects with non-KHC administered vouchers

## Modifications to Legal Documents

If modifications are necessary to a project's KHC legal documents at any time after loan and/or equity closing and for any reason other than an error by KHC, the following fee structure will apply:

- First modification occurrence: \$1,000 per document
- Second modification occurrence: \$2,000 per document
- All subsequent modifications: \$4,000 per document, each occurrence

## CHAPTER 2: Eligible Applicants and Development Team Capacity

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### Applicant Eligibility and Technical Assistance

To submit an application, a member of the development team must have either:

- Developed, completed, and operated a multifamily project of at least twelve rental units with the last three years that is now in the affordability stage with KHC's compliance department, or
- Complete an application technical assistance (TA) meeting and engage a consultant or co-developer with recent experience in KHC-assisted multifamily projects similar to the proposed project. If it has been more than 3 years since the last TA meeting and the entity has not had a project funded during that time, a new TA meeting must be conducted.

Developers must submit a completed Technical Assistance Request Form to [multifamily@kyhousing.org](mailto:multifamily@kyhousing.org) no less than 30 days prior and have the meeting no less than 14 days prior to the capacity application submission deadline. Upon request, KHC may waive the requirement for a meeting for developers who are resubmitting an unsuccessful application from a previous round.

KHC may require a TA meeting prior to applications submission for any entity regardless of past experience.

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 TA meeting.

### Development Team Capacity Application

KHC conducts a capacity review on all development team members (developer, co-developer, consultant, and management company) prior to the submission of a funding application. Each development team member must complete a separate Development Team Capacity Application. Only the entity seeking capacity approval may submit the capacity application.

Development team members with a certification currently in effect are not required to complete the capacity application. Others must complete the capacity application and submit it to KHC no later than 60 days prior to the funding application submission due date.

KHC must be notified in advance of any development team member changes. Entities without a capacity approval letter must obtain one prior to assuming a role.

KHC will consider the development team member's:

- Ability to successfully develop or manage the project,
- Ability to properly expend KHC resources, and
- History of requests for extensions and waivers.

KHC may solicit feedback from other agencies or lenders as well as checking the System for Award Management website.

Approved development team members will receive an approval certification which will be valid for one to four years, at KHC's discretion.

Any staffing changing to approved development team members, including officers, management, or key staff members with who KHC has direct contact, must be disclosed in writing to KHC at the time other change occurs. KHC may modify or rescind the capacity approval.

KHC may require a capacity application of any development team member at any time.

If the applicant has no directly relevant experience in the role for which they are applying, KHC will require the applicant to engage a consultant or co-developer with recent experience in KHC-assisted multifamily projects similar to the proposed project. Development entities with experience in developing rent-restricted multifamily housing using federal resources in other states may be allowed to engage a consultant with experience in KHC-assisted multifamily housing projects. However, if the development entity has no experience in developing rent-restricted, federally assisted multifamily housing projects, then that entity will be required to engage a co-developer with recent experience who has developed and placed in service a multifamily project using KHC-administered resources, including LIHTCs, tax-exempt bonds, HOME, NHTF, etc.

Applicants for tax-exempt bonds must engage an attorney or attorneys to serve as bond counsel who has experience with and a comprehensive understanding of multifamily tax-exempt bond transactions.

KHC limits new applicant/developers or applicant/developers new to Kentucky to one funded project for the current funding cycle. Unless otherwise approved by KHC, new applicant/developers will be limited to one outstanding award until the initial awarded project has achieved 100% construction completion and IRS Form(s) 8609 have been issued before a subsequent application may be submitted. Applicant/developers who have previously constructed and placed in service a KHC multifamily project with Housing Credits within the past three years are restricted only by the Housing Credit cap.

### **Suspended/Debarred Parties**

Parties suspended or debarred pursuant to KHC's [suspension and debarment policy](#), and any related-party entities, are ineligible to participate in any project receiving KHC resources.

## CHAPTER 3: Application Process, Review, and Requirements

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KHC will score competitive applications in accordance with the applicable scoring workbook based on the information contained within the application and attachments.

For Tax-Exempt bond projects, KHC will open the Universal Funding Application periodically as bond cap is available. KHC may make gap funds available to allocate in conjunction with tax-exempt bonds, subject to availability.

Applicants are responsible for submitting all required documentation. Any material deficiency or omission from the mandatory documents not cured under the applicable criteria will make the application ineligible.

Applicants must immediately notify KHC of any material change to a project and/or any issue(s) that may affect the applicant's willingness to proceed with the project.

### Guarantors

KHC may require a guarantor for projects with KHC loans. The guarantor may be any entity or individual, other than the borrower or its general partner(s)/managing member(s), which has adequate financial resources and capacity to accept liability for completion of the project or repayment of all KHC resources.

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 must be submitted to verify adequate funds are currently available.

### *Application Preparation*

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The application is created and submitted through KHC's online [Universal Funding Application](#) (UFA). Instructions for completing the application are in the Frequently Asked Questions (FAQ) tab in the UFA.

Applicants must adhere to the following:

- Answer all questions within the UFA that are applicable to the project type and resources requested (do not reference another document or another section of the application).
- List within their application the project amenities that will be included in the project.
- Current versions of all application attachments must be uploaded to KHC's online system as part of the application submittal. The image quality of the uploaded documents must be clearly legible.
- Application attachments may not be dated more than six months prior to the application submission deadline, unless otherwise specified in these Guidelines.
- Any documents provided by third parties should be submitted in their original state with no handwritten notes or other alterations by the applicant. Applicants may include a supplemental memo if additional explanation is required.
- Only one application and one underwriting model; applicants cannot present different scenarios of a project's development budget in the same application submission.
- Applicants requesting HOME, NHTF, and/or Risk-Sharing funds must also submit to the Kentucky State Clearinghouse through the [Department for Local Government's online system](#). Successful submission to the Clearinghouse will generate a confirmation that includes the State Application Identification (SAI) number. A copy of this confirmation is a required checklist attachment.

## **Submitting Documents:**

Applicants must submit all required application documentation through the UFA system by 12 noon ET on the application submission due date. Applicants are encouraged to not wait until the last few minutes to upload documents or to submit their application. KHC's systems experience a high volume of activity as the application due date and time nears, which may cause for slower submission times. Any flash drive containing documents that cannot be uploaded due to the file size being greater than 150 megabytes must be identified with the project name and developer name. The flash drive must be received by 5 p.m. ET on the next business day at:

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

Documents that will be shared among multiple funding applications (e.g., financial statements, organizational documents, etc.) can be stored in the Document Repository, where they can be attached to any application by a team member. Refer to the FAQ in the UFA for further guidance.

## ***Application Thresholds***

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All applications must meet the applicable thresholds; applicants may not request a waiver to any threshold. KHC will notify the applicant if one or more of the thresholds are not met and the applicant will have 48 hours from the time of notification to appeal. No changes or additions to the original submission can be made to cure threshold deficiencies. Failure to cure will result in the application being ineligible.

### **Thresholds for All Projects (Including Tax-Exempt Bonds)**

#### **Capacity & Credit Review**

The applicant and all members of the development team must have a capacity approval certification.

#### **Management Company Performance/Compliance**

Applicants must engage a management company on the development team who has a KHC Asset Management risk score of "pass," "pass/watch," or "special mention" (C or above) on 70% or more of their properties to support satisfactory management standards. Management companies that do not have a risk management score because they are new to the state will qualify but must have a current capacity approval letter from KHC. Applicants must contact KHC by email at [assetmanagement2@kyhousing.org](mailto:assetmanagement2@kyhousing.org) no earlier than 60 days prior to the application deadline to obtain their risk score.

#### **Errors and Omissions**

Applications that contain six (6) or more errors and/or omissions will be disqualified from consideration. Applications with five (5) or fewer errors and/or omissions will be granted 48 hours to remedy, subject to KHC's [Cure of Application Errors and Omissions](#) policy.

#### **Complete Application**

The project must meet all application and checklist attachment requirements in accordance with the QAP and Multifamily Guidelines.

#### **No Additional Funds**

Previously funded projects cannot access additional funds, including Housing Credits, through the competitive application process.

## **No Single-Family Homes**

Single-family detached homes are not eligible. This does not include attached townhomes, duplexes, triplexes, or other attached dwellings.

## **Compliance with IRS Code, QAP, and Multifamily Guidelines**

All applications must be consistent with IRS Code Section 42, and KHC's QAP and Multifamily Guidelines, whether or not the specific provision is identified elsewhere as a threshold. Upload any pre-application waiver(s) with the application.

## **Tenant Selection Plan Public Housing Preference**

All applicants are required to submit a written commitment to notify local public housing authorities and KHC's Housing Choice Voucher Department of project vacancies and to give priority to households on the waiting list of the PHA and/or KHC, if there are no eligible households on the project's waiting list.

## **Notification of Public Officials**

All applicants must complete and submit the Notification of Application for Funding form. The form must identify the correct name and email address of the applicable current officeholders. A searchable database of state legislators is available on the [Kentucky Legislative Research Commission's website](#). Upon application submission, KHC will send the notice to the identified elected officials.

## **Fair Housing**

Applicants must identify within the UFA how the project will address at least one impediment to fair housing as identified in KHC's Analysis of Impediments to Fair Housing (AI).

## **Sufficient Market and Minimal Impact on KHC Portfolio**

All projects are required to submit a market study which must demonstrate sufficient demand for the proposed project based on location, project design, unit mix, targeted populations, proposed rents, etc.

When multiple projects are awarded in one jurisdiction, KHC may require an update of any of the projects' market studies to recognize and consider the other project(s) funded in that jurisdiction and any impact on the market's need for the units proposed.

Applicants for new supply projects must submit a copy of a Google Maps printout documenting the proposed project's distance, measured in radius, from the project(s) not yet placed in service, as identified in the current scoring workbook. The market study must recognize the projects under development located in the same county and targeting the same population(s) and consider the impact of those units under development on the marketability of the proposed project.

Subsequent phases of a phased-in development will be permitted provided the market study recognizes the earlier phases and the impact of the proposed project.

## **Qualified Contract**

By applying for 9% and/or 4% Low-Income Housing Tax Credits, the applicant waives any and all rights to a qualified contract process with respect to the project to which the application pertains.

## **Compliant Underwriting Model (UM)**

The UM, as submitted with the application, must comply with the applicable QAP provisions and Multifamily Guidelines.

## **Firm Non-KHC Funding Commitments**

Applicants must submit a firm commitment letter from all non-KHC funding sources identified in the KHC application and underwriting model, including debt that is to be assumed, with the exception of deferred developer fee. All letters must:

- Be specific as to the project seeking KHC funding and identify the project name;
- Identify the amount and terms of funding, including rate (actual and effective rate, if applicable);
- Be on the funding source's letterhead and signed by an authorized representative;
- Identify any time limitations or expiration date of the commitment; and
- Be dated within the 3 months preceding the KHC application submission date.
- In the event the commitment of funds covers multiple properties in a portfolio transaction, the amounts and terms for each property must be delineated separately.

Documentation from a federally insured agency that the applicant has begun the assumption approval process may be substituted for a firm commitment letter.

KHC may make exceptions to the firm commitment requirement for funds proposed from FHLB, Rural Development (RD), CDBG, HOME, and other HUD loans provided a letter of conditional commitment or intent to fund is submitted on the funding agency's letterhead. KHC may also make exceptions to the firm commitment requirement for other funds provided by local, state or federal jurisdictions, if the applicant submits evidence of an application for these funds and a written guarantee from the applicant that if the funds are not awarded, the applicant will contribute the amount of funds for which it applied and evidence its financial ability to do so. Commitments of resources from federal, state, or local governments may contain a contingency based on the proposed project receiving an award of Housing Credits.

## **Firm Equity Commitment**

Equity commitments must be specific to the project seeking Housing Credits from KHC and must:

- Contain the specific terms, including:
  - Credit pricing;
  - Amount of annual credit anticipated;
  - Total equity investment;
  - Pay-in schedule;
  - The equity investor's specific requirements for replacement reserve, operating deficit reserve, or any other reserve accounts required by the investor, if applicable; and,
  - Amounts of required fees and whether they are guaranteed or subject to cash flow, etc.
  - In the event the equity commitment covers multiple properties in a portfolio transaction, each of the above items must be delineated separately for each property:
- Be on the equity provider's letterhead;
- Identify the project name; and,
- Be signed and dated within 3 months of the KHC application submission due date.

Projects utilizing Federal and/or State Historic Tax Credits must submit a letter of intent from an investor identifying each credit separately, along with the applicable pricing and equity investment for each. If the owner plans to retain the State Historic Credit themselves, a statement must be submitted to this effect.

## **Zoning**

All projects must submit evidence that the project site is:

- a. Properly zoned for the type of proposed project;
- b. Does not currently have the proper zoning, but a rezoning application has been submitted to the local jurisdiction; or
- c. There is no local zoning for the site location.

## **Floodplains, Floodways, and Wetlands**

An owner must have flood insurance if any portion of the project site is in a floodplain (owners may divide a plat to remove the portion of the property in the floodplain). Any time there is a site located near a floodplain, floodway, or wetland, KHC should be contacted for consultation.

For new construction, all portions of the project site(s) essential to the use of tenants (i.e. buildings, parking lots, entrance to the development, recreational areas, etc.) must not be in a floodplain. If your project involves new construction and has either a mapped wetland or potential wetlands on the project site, you must [contact KHC](#) for guidance regarding the necessary 8-step decision making process unless an exception under 24 CFR Part 55.12 applies.

For rehabilitation of currently occupied rental housing where any portion of the property is in a floodplain, the property must have federal flood insurance. If a portion of the project that is not essential to the tenants is in the floodplain, then in order to avoid the flood insurance requirement, the project site may be divided, and a new plat or deed recorded to remove the portion of the property in the floodplain from the project site. Rehabilitation of vacant structures in a floodplain is not eligible.

Flood insurance means insurance through the National Flood Insurance Program (NFIP). Projects not located in an NFIP area are ineligible. KHC requires an amount of at least the total KHC funds invested in the project, if KHC is in first lien position. If KHC is not in first lien position, then KHC requires an amount equal to the full replacement value of the property. KHC must be named as an insured on the policy.

## **Capital Needs**

All applicants for projects involving the rehabilitation or adaptive reuse of an existing structure(s) must submit both a completed copy of KHC's Capital Reserve Replacement Schedule (CRRS) from a qualified preparer, and a physical capital needs assessment (PCNA), which must incorporate or be consistent with the CRRS. Qualified CRRS preparers include:

- The project's architect
- Any firm/person meeting KHC's qualification requirements

## **Building Plans**

Applications must include [preliminary building plans](#) which conform to KHC requirements. Submitting a copy of KHC's Minimum Design and Universal Design requirements will not satisfy this threshold.

## **Scattered Site Projects**

Scattered site projects must be of similar building design and unit type and be within a defined footprint or neighborhood. Urban and rural scattered sites may not be intermingled in one project. Multiple RD properties may not be combined into one tax credit transaction. Sites in multiple counties are not permitted except for Tax-Exempt Bond projects.

## **Tenant Ownership / Lease-Purchase**

Projects proposing lease-purchase must be 100% lease-purchase units and all units must be single-family dwellings on individual lots. The applicant must have ownership of all project sites; long-term leases are not allowed.

## **Multi-Phase**

Applicants must disclose to KHC if a proposed project is part of a planned multi-phase development.

## **Thresholds for Projects Serving Special Needs Populations**

### **Service Plan for Target Residents**

Applicants proposing permanent supportive housing to serve special needs populations must submit a supportive service plan. The plan must thoroughly address all of the following:

1. The supportive service needs of the targeted population and the experience of the service provider with providing these services to this special needs population. A description of the agency's ability to provide case management services.
2. An explanation of how the services provided meet the target population's service needs.
3. An explanation and demonstration of how the services will be funded on an ongoing basis.

## **Thresholds for Preservation/Existing Supply**

### **Existing Supply**

The project must propose to preserve existing income-restricted affordable multifamily project(s). The rehabilitation of non-income restricted units is not eligible.

### **Documented Need for Rehabilitation**

The scope of necessary rehabilitation must be evidenced in the physical capital needs assessment.

### **Age**

The property may not have placed in service or undergone substantial rehabilitation in the last 25 years.

## **Thresholds for New Construction/New Supply (Including Adaptive Reuse)**

### **New Supply**

New supply projects must create new income-restricted multifamily units, either through new construction, the acquisition/rehab of existing unassisted/unrestricted (market) units, and/or the adaptive reuse of non-residential structures.

### **Serving Families**

Applicants that choose "family" as the population to be served in the application must designate a minimum of 25% of the units serving families with two or more bedrooms.

### **Serving The Elderly**

Applicants that choose "elderly" as the population to be served in the application must designate a percentage of units, consistent with the elderly selection (i.e., 80% 55 and older, 100% 62 and older or as defined by another federal or state housing program used in this project), that are garden style apartments, are located on the first floor, or higher floor units accessible by an elevator. The targeted population(s) must meet the applicable elderly definition.

## **Serving Persons With Disabilities**

All applicants for New Supply projects must provide the lesser of 4 units or 10% of the project's total units targeted to persons with disabilities and the units must be fully accessible in accordance with the building plans. This does not include any required visual/hearing impaired units.

## ***Application Scoring and Review Process***

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KHC will consider all issues relevant to the applicant's ability to successfully complete the project or to properly expend funds. These issues may or may not be addressed in the application. KHC must comply with federal and state regulations and program requirements of all resources administered; therefore, as new or updated guidance becomes available, KHC may alter the review process to comply.

## **Cure of Application Errors and Omissions**

Applicants will be allowed to remedy no more than five (5) errors and/or omissions contained in any application attachment (excluding the KHC underwriting model and scoring workbook). If more than five errors or omissions must be addressed, the application will be rejected for not meeting threshold. Any error contained in the application as input by the applicant will be considered an incurable error, because the application cannot be amended after submission. An incurable error does not disqualify the application from further consideration; however, incurable errors are included in the maximum allowable errors and/or omissions.

The correction of any error or omission must be made within 48 hours of KHC's notification. If the document submitted to cure the omission is dated after the application deadline or KHC determines that the document was not in the applicant's possession at the time the application was submitted, the cure will not be accepted.

Comments or revisions resulting from the review of the underwriting model are not errors. Applications with underwriting models completed incorrectly and/or with discrepancies that result in KHC's inability to complete the underwriting, or which make the project financially infeasible, will not meet threshold.

## **Tax-Exempt Bond Portfolio Application**

Portfolio projects requesting Tax-Exempt Bonds will have a preliminary portfolio application to submit basic documents required to establish the top-tier "parent" level project in KHC's database. The sub-tier property-level projects in a portfolio transaction, as well as any single-property projects, will proceed directly to the full application. For portfolio transactions, all properties must be submitted individually and may not be combined within one or more full applications. KHC will not consider a deal with unrated bonds in a public offering.

## **Capacity/Performance Scorecard**

All applicants must complete the Capacity/Performance Scorecard contained within the Universal Funding Application (UFA), even if a capacity approval certification has been previously issued by KHC. The scorecard will assess monitoring history, financial management, and past performance. KHC will review the applicant's responses and will complete its own capacity assessment, taking into consideration any capacity deductions assessed by KHC against any member of the development team.

## Scoring Response Period

KHC will notify applicants whose projects do not receive a full review and scoring. For others, KHC will make the preliminary project scoring workbook available to the appropriate contact.

Applicants may request a reconsideration of KHC's preliminary score only for applications in which they have an ownership interest. Requests must be sent in writing and received at KHC within 48 hours of the notification.

Reconsideration requests must specifically identify the grounds for the reconsideration request. KHC will consider only the application and documents then existing in KHC's file. No additional documentation or revisions to existing documents will be accepted. The burden is on the applicant to demonstrate any errors.

## Final Scoring Determination

After applicants have had the opportunity to review and appeal the preliminary score, KHC will determine final scores and make funding decisions. All funding decisions will be final and not subject to further appeal.

## Communications with Executive Management Team

Applicants, members of applicants' Development Teams, or other persons operating on behalf of Development Teams are expressly prohibited from having communications with any member of KHC's executive management team regarding any reconsideration or review requests or any related topic, from the issuance of the preliminary scoring decision until KHC renders its final determination. Any violation of this prohibition may result in disqualification of the pending application and suspension from participation in the next competitive funding cycle for the applicant and all of its Development Team members, regardless of which team member initiated the prohibited contact.

## Preliminary Approval Letter

KHC will send each successful applicant a preliminary approval letter indicating the initial reservation of Housing Credits, tax-exempt bonds, and/or other KHC resources awarded. The final amount of credit, bonds, or other resources allocated to each successful applicant may be less than the amount requested in the application, the amount specified in the preliminary approval letter, or the amount reflected in a Housing Credit carryover allocation.

## CHAPTER 4: Universal Funding Application Project Stages

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All applications for resources administered by the KHC Multifamily Programs department will proceed in the stages described below. Each stage will not be considered complete until all required documents are submitted through the UFA system. Please refer to [Chapter 10: Document Checklists by Project Stage](#) for the full list and description of the documents required at each stage.

### *Eligibility and Development Team Capacity Application Stage*

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Once all members of the development team have received a capacity approval letter, applicants may proceed to completion of the funding application.

### *Funding Application Submission and Scoring Review Stage*

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KHC will score competitive applications in accordance with the applicable scoring workbook based on the information contained within the application and attachments, including the underwriting model.

KHC staff are available to answer application-related questions up to 7 days prior to the application submission deadline; however, KHC will not provide an advance review of any portion of the application or required attachments for the purpose of making a determination of acceptability or accuracy. After the 7-day window has passed, KHC will only accept questions related to any technical issues applicants may experience with the UFA system. All questions must be emailed to [multifamily@kyhousing.org](mailto:multifamily@kyhousing.org).

### *Technical Submission Stage*

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Once an applicant receives a preliminary approval letter from KHC, the project will enter the technical submission stage.

Owners must submit the required documentation, as applicable, through the UFA system. A flash drive containing any documents that are too large to upload may be mailed to the assigned program specialist by the technical submission deadline. Do not break large documents into several smaller files.

Failure to complete technical submission by 12:00 noon ET on the deadline date will result in a \$5,000 penalty fee in addition to the applicable extension fee.

### *Pre-Construction/Pre-Closing Stage*

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All loan and equity closings and execution of funding agreements occur after successful completion of the pre-closing stage and final underwriting. Owners must submit additional documentation for final underwriting and other documents will be required prior to closing and the start of construction.

- Once due diligence closing calls have been scheduled with the equity investor and other partners, the developer must include their assigned KHC project specialist on all meeting invitations.
- KHC must have completed and approved final underwriting before issuing the final reservation of Housing Credits and/or closing documents.
- Projects utilizing KHC funds that are combining multiple contiguous parcels of land into one project site must consolidate the parcels into a single recorded deed or plat.
- KHC must receive all pre-closing documents no later than 30 days prior to the anticipated closing date and no closings may be scheduled until KHC has issued its final underwriting approval and final credit reservation letter (if applicable).

- Submitting the pre-closing stage with missing or incomplete documents will not satisfy the 30-day notification requirement.
- For projects receiving federal funds from KHC, closing may not occur until KHC has reviewed and approved the ERR.

Any previously approved development team member with organizational structure changes since receipt of their capacity approval letter must submit their organizational documents via the UFA at the pre-closing stage, including resumes for new principal officers/members.

## *Closing and Construction Stage*

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KHC will not schedule loan closings until it has approved all the required pre-construction and pre-closing documentation and issued its final underwriting approval. Borrowers are responsible for their costs associated with the closing, including recording and legal fees.

### **Loan Closing Information**

KHC will send a draft of its loan closing documents to the owner's counsel, along with information regarding KHC's closing procedures, a Form of Opinion of Borrower's Counsel, and the marked-up title commitment for each KHC funding source. 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.

Once all parties agree on a final version is agreed upon by all parties and all closing conditions have been met, KHC's legal staff will request a copy of the updated title insurance commitment and send a closing instruction letter, along with execution drafts of the closing documents, to the owner's counsel.

The closing may not occur until KHC has received and approved a draft of the Opinion of Borrower's Counsel and the agreement of either owner's counsel to issue the title policy or the title agent that the policy will be issued in conformance with the marked-up title commitment for title insurance submitted to owner's counsel.

### **Closing Documents Delivery**

Executed originals of all KHC loan documents and copies of all documents sent for recording must be delivered to KHC within 48 hours of closing. Original recorded documents must be delivered to KHC within two weeks of closing along with the original of the loan policy of title insurance. KHC will not disburse loan proceeds, other than amounts pre-approved by KHC for property acquisition, until these conditions are met. All post-closing document deliveries should be addressed to:

**Kentucky Housing Corporation  
Legal Department, Attn: Post Closing  
1231 Louisville Road  
Frankfort, KY 40601**

### **Post-Closing Document Submission**

In addition to the document deliveries noted above, the executed copy of the deed or lease and the executed limited partnership agreement (and all exhibits) must be submitted through the Universal Funding Application (UFA) system within two weeks of the closing.

## *Construction Completion/Placed-In-Service Stage*

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All projects must submit final close out documentation at completion. KHC requires development entities new to KHC to attend a TA meeting at 80% project completion to review the project close out process and required documents.

Upon project completion and issuance of the certificate(s) of occupancy, owners must submit additional completion documents and request the final 10% retainage of KHC funds.

When the project is placed in service, KHC's Asset Management department will require the owner to complete the HUD utility schedule model on projects receiving HUD funding.

The architect, the contractor, and KHC's construction specialist will conduct a final inspection covering all interior and exterior items. KHC will not release the 10% retainage until a final inspection report showing all punch list items have been completed and all project completion documents are approved. Risk-Sharing projects are also required to be inspected one year after construction completion.

Owners may not submit the construction completion/placed in service stage until KHC has issued a 100% complete final inspection, with no outstanding follow up items. Once KHC has approved the final inspection, owners will have 60 days to submit the construction completion/placed-in-service stage.

## *Land Use Restriction Agreement and 8609 Stage*

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Owners of Housing Credit projects must submit the required documentation to obtain the Land Use Restriction Agreement (LURA) as well as the IRS Form(s) 8609 no later than 4 months from submission of the project completion/placed-in-service stage. Late submission of the LURA/8609 stage will incur penalty fees as outlined in Chapter 1 and may result in a capacity deduction in future funding rounds.

Due to the Thanksgiving and Christmas holidays, projects that will require issuance of the LURA and 8609 before the end of the calendar year must have all documentation submitted by November 1, including approval of the construction completion/placed in service stage.

The LURA will be prepared using the information submitted and will be sent to the owner for signature and recording. Once it is returned, the original IRS Form(s) 8609 will be mailed to the owner for both the 4% and 9% credit allocated to each building. At a minimum, owners should anticipate at least 30-60 days for KHC to complete the LURA and 8609 process.

When completing Part II of the IRS Form(s) 8609, project owners must ensure that they elect the same income set-aside (20/50, 40/60, or Average Income) as is noted in the LURA.



- A deed restriction securing the affordability period will be recorded against the assisted property. Even if the HOME loan is paid off early, the restriction will remain in effect for the applicable term.
- The HOME maximum per-unit subsidy limits apply to rental units. The actual subsidy provided will be subject to cost containment and subsidy layering analysis.
- All HOME monitoring/reporting requirements apply throughout the affordability period. All HOME-funded developments must comply with 24 CFR, Part 92.
- 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 non-credit projects with nonprofit owners 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 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.
- HOME-funded projects must adhere to the lease provisions of [24 CFR 92.253](#) and leases cannot contain the prohibited lease terms contained therein nor require tenants to accept supportive services as a condition of tenancy. Owners are required to give tenants a minimum 30-day notice of lease termination or non-renewal, and only for serious or repeated violation of the terms and conditions of the lease; violation of applicable federal, state or local law; or for other good cause.
- 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. The applicant is responsible for contracting with a KHC-approved [Environmental Compliance Service Provider](#) to perform the environmental review. More information about HOME environmental requirements can be found on [HUD's website](#). Questions regarding environmental reviews for KHC-assisted projects should be sent to [environmentalreview@kyhousing.org](mailto:environmentalreview@kyhousing.org).
- [Davis-Bacon Act](#) wage rate requirements apply to contracts for the development of 12 or more HOME-assisted 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, which lists each classification of worker on the project and the rates that must be paid to each.
- Section 3 reporting is required for all projects that receive a combined total of \$200,000 or more of HUD assistance (including HOME, NHTF, CDBG, etc.). HUD published a new Final Rule at [24 CFR, Part 75](#) that became effective November 30, 2020.

Covered projects must report 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, specifically tracking the number of labor hours worked. Reporting is required annually during construction and at project completion. HUD has established two benchmarks for Section 3 compliance:

1. At least 25% of the total labor hours worked on the project are by Section 3 workers; and
2. At least 5% of the total labor hours worked on the project are by Targeted Section 3 workers.

Projects that fail to meet these benchmarks must document the efforts taken to comply in their Section 3 reporting.

Refer to [HUD's Section 3 webpage](#) for more information and guidance.

## HOME Financial Requirements

- HOME loans (deferred, forgiven, or amortizing) are recourse loans.
- For projects of 11 units or less, a vacancy rate of 10% should be projected, and for projects of 12 units or more, a 7% vacancy rate should be projected.
- All proposed developments requesting HOME funds are required to contribute a minimum of 5% HOME-eligible match of the total HOME funds requested. Match information can be found in [Chapter 6: Underwriting Requirements](#).
- For units designated as low-HOME that also receive 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% of their adjusted gross income toward rent. To achieve a greater cash flow, the Project-Based rents may be more advantageous. However, note that this option does not apply to high-HOME units or to units receiving Tenant-Based Rental Assistance.
- Projects with less than five HOME-assisted units must have all HOME units occupied by households at or below 60% AMI. Projects with five or more HOME-assisted units must have at least 20% of the HOME units occupied by households at or below 50% AMI.
- HOME-assisted projects must designate a proportionate number of units as HOME units based on the percentage of HOME funds compared to total development cost. If the project has five or more HOME units, 20% 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:**

<i>HOME amount requested:</i>	\$300,000
<i>Divided by total project cost:</i>	÷ <u>\$2,000,000</u>
<i>HOME percentage:</i>	15%
<i>Total rental units</i>	30 units
<i>HOME percentage:</i>	x <u>15%</u>
<i>HOME units:</i>	= 5 (4.5, but 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% of that amount must be rented at the low HOME rent.

<i>Total HOME units</i>	5 units
	x <u>20%</u>
<i>Total low HOME units:</i>	= 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. The high and low HOME units must be proportionately distributed 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:

$$\underline{30 \text{ total units:}} \quad 1\text{-BR units} = 12; \quad 3\text{-BR units} = 18$$

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

$$12 \times 15\% = 1.8, \text{ therefore two (2) 1-BR units}$$

$$18 \times 15\% = 2.7, \text{ therefore three (3) 3-BR units}$$

- The subsidy per-unit test determines if the amount of HOME requested is within the required limits. Multiply the HOME units by bedroom type by the applicable HOME subsidy limit.

<b><u>Example:</u></b>	<i>HOME subsidy limit:</i>	1-BR	\$161,738
		3-BR	\$254,431
	<i>Requested HOME loan:</i>		\$300,000
	<i>Project located in Frankfort</i>		
	<i>2 (1BR) units X \$161,738 =</i>		\$323,476
	<i>3 (3BR) units X \$254,431 =</i>		<u>\$763,293</u>
	<i>Total allowable subsidy</i>		\$1,086,769

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 are therefore subject to HOME rent and occupancy requirements, are permanently designated and never change.
  - **Floating:** When HOME units are “floating,” the HOME units may change over time as long as the total number of HOME units remains constant. The floating designation provides flexibility in assigning units and can help avoid stigmatizing the HOME-assisted units.

Refer to KHC’s website, [www.kyhousing.org](http://www.kyhousing.org), for the HOME maximum [rent](#) and [income](#) limits.

### Conflict of Interest

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:

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

KHC may grant exceptions to this conflict of interest provision (for governing owners, developers, and sponsors of HOME-assisted housing) on a case-by-case basis based on the following factors:

- 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 KHC deems relevant, 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 an 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 project's fiscal year end. New projects that have been placed in service must submit monthly reports as required by Asset Management. 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 submit evidence that the finding has been corrected or is being corrected.
- Each HOME unit must remain in compliance with NSPIRE standards throughout the affordability period. Owners are responsible for inspecting each unit annually and retaining documentation of the inspection in each tenant's file.
- Each HOME-assisted unit must ensure continued affordability to low-income families. It is the owner's responsibility to ensure that the 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% of all HOME-assisted rental units serve households at or below 60% of the AMI at the time the family moves in. If more than five units are assisted with HOME funds, 80% of the units must be reserved for households at or below 60% of the AMI and charged the high HOME rent or Fair Market Rent (FMR), whichever is less. The other 20% of the units must be reserved for households at or below 50% of the AMI and charged the low HOME rent or FMR, whichever is less. KHC will update its Multifamily Programs web page each year with the new releases for rent and income limits.
- If residents of HOME rental units are receiving Tenant-Based Section 8 rental assistance, the applicable HOME rent limit may be less than the Section 8 FMR; however, the gross rent may not exceed the applicable HOME rent limit unless the unit is receiving Project-Based Section 8 rental assistance, the household is 50% 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 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 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.
- Owners must maintain records 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.
- Owners must submit periodic reports as required by KHC.

### *National Housing Trust Fund (NHTF)*

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NHTF funds are considered gap financing and shall only be provided as a recourse loan. HUD has not yet issued a final rule for NHTF program administration; however, [interim guidance](#) is available at 24 CFR, Parts 91 and 93. The NHTF program was modeled after the HOME program; therefore, KHC will apply all the HOME regulations to NHTF except for the following:

- Affordability Period: NHTF always requires a 30-year affordability period regardless of activity type or amount of NHTF investment.
- Davis-Bacon Wage Rate Requirements: Davis-Bacon wage rates do not apply.
- Incomes to Be Served: The income of the targeted population cannot exceed 30% AMI.
- Income and Rent Limits: NHTF utilizes separate income and rent limits which are available on KHC's website, [www.kyhousing.org](http://www.kyhousing.org).
- Match Requirement: NHTF does not have a matching funds requirement.
- Environmental Review: The environmental provisions for new construction and rehabilitation that are required for NHTF projects under the Property Standards at 24 CFR § 93.301(f)(1) and (2) are similar to the environmental review requirements under 24 CFR Part 50 and Part 58 for the HOME program. HUD has published [CPD Notice 16-14](#) that provides guidance on how to meet the HTF environmental provisions. The Notice also explains how environmental reviews under 24 CFR Part 50 and Part 58 must meet the NHTF environmental provisions when combining NHTF with other HUD funding sources.
- Projects combining NHTF with HOME or other federal funds must complete a separate environmental review process for each source of funds. More information on environmental requirements for NHTF funds can be found on [HUD's website](#). Environmental review questions for KHC-assisted projects should be sent to [environmentalreview@kyhousing.org](mailto:environmentalreview@kyhousing.org).

### *Affordable Housing Trust Fund (AHTF)*

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AHTF funds are considered gap financing only.

- Eligible applicants are nonprofit organizations.
- The nonprofit organization must be at least 51% of the ownership entity and materially participate in the project for the term of the loan.

- Nonprofits must be registered and in good standing with the Kentucky Secretary of State.
- Nonprofits may not be affiliated with or controlled by any for-profit entity and one of the exempt purposes of the nonprofit must include 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. AHTF funds have three priorities:
  1. New construction projects.
  2. Projects using existing privately-owned housing stock.
  3. Projects using existing publicly owned housing stock.
- The affordability period for rental projects is 30 years. A deed restriction will be recorded against the property to secure the affordability period. If the AHTF loan is paid off early, the recorded deed restriction will remain in effect.
- KHC shall require at least 40% of all AHTF funds to be used for rural areas, as required in KRS 198A.720.
- In combination with the above activities, owners can use AHTF to fund upfront 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). KHC will consider forgivable loans only for projects with that demonstrate the need for such a loan and cannot support any debt service.
- Preference will be given to projects serving households below 30% AMI. However, AHTF may serve households up to 60% AMI. Owners can refer to the AHTF Income Chart to find the maximum income limits used for the AHTF program. This chart can be found on the [Multifamily Underwriting Resources page](#) of KHC's website, under the Income, Rent, Subsidy, and Cost Containment Limits dropdown.
- While there are no published rent limits for AHTF, the proposed rents should be proportionate with the income level being served, unless rental assistance is being provided. Since there are no published AHTF rent limits, the [HOME rent chart](#) should be used as a guide.

## 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 7.5% of the total AHTF award for the project.
- Interest rates are flexible and start at 0%. KHC will not charge interest during the construction period.
- Loan terms shall not exceed 30 years.
- For projects of 11 units or less, a vacancy rate of 10% should be projected, and for projects of 12 units or more, a 7% vacancy rate should be projected.

## AHTF Compliance Requirements

- If a project is receiving AHTF only, the owner/manager must 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% 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. Failure to submit the required annual financial statements will be considered by KHC in future funding proposals.
- Owners must submit periodic reports as required by KHC.

## *Rural Housing Trust Fund (RHTF)*

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- RHTF funds are for gap financing only.
- Eligible applicants are nonprofit organizations, for-profit entities, local housing authorities, and units of local government.
- Eligible activities include acquisition/new construction, acquisition with rehabilitation, and/or new construction of affordable rental developments.
- RHTF has five legislative priorities:
  1. Projects located in a federally declared disaster area approved for FEMA Individual Assistance or assisting those displaced by a declared disaster. This priority shall apply for 24 months following the disaster declaration.
  2. Projects submitted by nonprofit organizations or local governments for new rural housing.
  3. Projects using existing privately owned housing stock.
  4. Projects using existing publicly owned housing stock.
  5. Projects submitted by local governments demonstrating effective zoning, conversion, or demolition controls for single room occupancy units.
- Additional priorities established by the RHTF governing committee include:
  1. Projects creating new housing supply.
  2. Projects located in rural areas with significant job growth.
  3. Projects located in counties shown to have a housing supply gap based on KHC's Housing Supply Gap Analysis.
  4. Projects with contributions from a local government, a local employer, economic development entity, and/or philanthropic organization.
- RHTF may only be used in rural areas of the state, as designated by USDA Rural Development.

- The affordability period for rental projects is 30 years. A deed restriction will be recorded against the property to secure the affordability period. If the RHTF loan is paid off early, the recorded deed restriction will remain in effect.
- RHTF funds are provided in the form of a 30-year amortizing loan or deferred loan (due at maturity), with an interest rate up to 3%, based on KHC's underwriting analysis.
- RHTF may serve households up to 120% AMI; however, the rents may not exceed the applicable LIHTC or tax-exempt bond rents (whichever of the two is being paired with RHTF).
  - 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.

### RHTF Financial Requirements

- RHTF loans are non-recourse.
- Interest rates are flexible and start at 0%. KHC will not charge interest during the construction period.
- Loan terms shall not exceed 30 years.
- For projects of 11 units or less, a vacancy rate of 10% should be projected, and for projects of 12 units or more, a 7% vacancy rate should be projected.

### RHTF Compliance Requirements

- If a project is receiving RHTF only, the owner/manager must 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% of a household's monthly income). The Section 8 method for verifying income is not required for RHTF-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. Failure to submit the required annual financial statements will be considered by KHC in future funding proposals.
- Owners must submit periodic reports as required by KHC.

### *Small Multifamily Affordable Loan (SMAL) Program*

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- Eligible applicants are 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% of the Section 8 area median income (AMI) limits.
- Rents for the project should not exceed the lesser of the SMAL rent limit, the project area's market rent, or 30% of the income level of the targeted population.
- SMAL funds must be combined with KHC HOME or AHTF funds.
- 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 and/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% 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.
- Applicants may not request an interest rate lower than 3.5%. KHC will determine the rate the project can support.
- Interest-only payments will be due during the term of the construction period.
- 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.
- KHC will charge an origination fee of 1% of the mortgage amount to be paid at closing.
- The vacancy rate for this program will be projected at 10%.
- Owners must keep supportive services separate from the housing component and income from services cannot be used to pay debt service.
- 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.

<b>Example:</b>	SMAL loan:		\$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 (7).

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 website, [www.kyhousing.org](http://www.kyhousing.org).

## SMAL Compliance Requirements

Owners must submit annual compiled financial statements, on the project only, to KHC 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. Owners must submit periodic reports as required by KHC. Refer to KHC's website, [www.kyhousing.org](http://www.kyhousing.org), for additional requirements.

## Risk-Sharing

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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% of the risk with HUD. As a Level II participant, KHC would share in 25% of the risk with HUD.

Requirements for the Risk-Sharing program are:

- Multifamily projects must be five units or more.
- Risk-Sharing may only be used for permanent loans. Construction financing is ineligible.
- Risk-Sharing funds must be used in conjunction with the Low-Income Housing Tax Credit Program.
- Eligible applicants 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, 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 rental housing and meet one of the following:
  - 20% or more of the units must be both rent-restricted and occupied by persons whose income is 50% or less of the [AMI as determined by HUD](#), with adjustments for household size; or
  - 40% or more of the units must be both rent-restricted and occupied by persons whose income is 60% 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% of the imputed limitation applicable to such unit.
  - Because the Risk-Sharing Program does not have published rent and income limits, the Housing Credit rent and income limits are used.
- The affordability period shall be equal to the term of the Risk-Sharing loan and secured by a deed restriction recorded against the property for the affordability period. If the Risk-Sharing loan is paid off early, the recorded deed restriction will remain in effect.

- An environmental review is required and shall be carried out following the National Environmental Policy Act of 1969 in accordance with 24 CFR, Part 58. The borrower is responsible for contracting with a KHC-approved [Environmental Compliance Service Provider](#) to perform the review.
- Loan proceeds from the Risk-Sharing closing cannot be disbursed until KHC has received the recorded loan documents and final endorsement of the loan from HUD.
- The 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. Because KHC only offers Risk-Sharing as permanent financing, Davis-Bacon requirements do not apply.

### Risk-Sharing Financial Requirements

- The maximum loan amount cannot exceed \$2,000,000.
- The maximum loan amount requested cannot exceed 90% loan to value, as determined by the appraisal during the technical submission stage.
- 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.
- Risk-Sharing loans are non-recourse loans.
- Risk-Sharing loans must 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 % should be projected and for projects of 12 units or more, a 7% 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% will automatically be calculated in the underwriting model.
- Applicants should assume a taxable interest loan rate, exclusive of MIP, subject to market changes.
- KHC will maintain and control the reserve for replacement (R4R) and tax and insurance escrow accounts.
- KHC only offers Risk-Sharing as an insured upon completion permanent loan and the closing will occur after construction is complete.

### Risk-Sharing Compliance Requirements

- All projects must 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.
- Risk-Sharing projects must adhere to all compliance monitoring procedures.

## CHAPTER 6: Underwriting Requirements

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### *Requirements for Underwriting*

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The following 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.

1. KHC may modify the amounts and terms of any KHC resources requested based on its analysis of the project's underwriting model and supporting documents, including the appraisal.
2. KHC amortizing, permanent loans will have monthly debt service payments. HOME, NHTF, AHTF, and RHTF loans do not accrue interest during the construction period.
3. SMAL and Risk-Sharing loans will be amortizing loans.
4. KHC may structure HOME, NHTF, AHTF, or RHTF loans as amortizing or deferred, due-at-maturity.
5. Forgivable HOME, NHTF, AHTF, or RHTF loans will only be considered for non-credit projects with nonprofit owners that demonstrate the need for such a loan and cannot support any debt service.
6. KHC loans will be in first lien position unless otherwise approved prior to closing.
7. The maximum combined loan to value (CLTV) ratio may not exceed 100% for all permanent loans, as determined in the appraisal. Changes to the amounts of any funding source are subject to a secondary appraisal review and KHC may adjust its resources downward accordingly.
8. KHC will conduct a subsidy layering review on all projects when there is a combination of any of the following funding sources: HOME, NHTF, Risk-Sharing, Housing Credits, or new Project-Based Section 8 (including project-based vouchers).
9. The construction contingency for rehabilitation may not exceed 10% of total construction hard costs, excluding property acquisition and 5% for new construction. Applicants not requesting a contingency must explain the rationale and are responsible for the cost of any change orders occurring during construction.
10. The construction contingency is for unforeseen hard cost overruns. To draw contingency funds, both the inspector and plan reviewer must approve a change order at the time the change is deemed necessary KHC will recapture any unused contingency funds and modify the loan documents accordingly. Soft cost contingencies are not allowed.
11. The DCR in year one must be at least 1.20, or 1.25 for Risk-Sharing projects. All projects must maintain a DCR of at least 1.10 through year 15. Housing Credit only projects must adhere to the DCR requirements established by an investor or governmental entity if the investor or governmental entity accepts a lower DCR, which must be reflected in either the syndication agreement or documentation from the governmental entity. In addition, the investor or governmental entity must submit its 15-year proforma. Projects requesting KHC funds must maintain positive cash flow (1.0 or greater) through the applicable term of affordability.
12. Housing Credit projects proposing a qualified Community Service Facility (CSF) must be in a Qualified Census Tract (QCT). The eligible basis attributable to the CSF cannot exceed 25% 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 itemized on a separate uses statement contained within KHC's underwriting model and those costs will not be considered in the cost containment calculation.

13. Projects containing commercial space must itemize the associated commercial space costs on a separate uses statement in KHC's underwriting model and those costs will not be considered in the cost containment calculation. Owners may not use KHC resources to pay for any costs associated with commercial space.
14. Applicants must allocate any project-related fees or soft costs associated with commercial space on a pro-rata basis, or the actual amount of the soft cost, if it is specific to the space. The allocation may not result in a disproportionate share of fees or soft costs to commercial space for the purposes of adherence to the cost containment limits.
15. The proposed operating expenses must be supported and fall within \$1,000 +/- of KHC's most current historical per unit, per year calculation (excluding utilities) for the project county. Applicants must submit a justification for expenses outside either of these ranges. If the county does not have historical data, applicants should use the data of a similar neighboring county. The operating expense database is located on KHC's website, [www.kyhousing.org](http://www.kyhousing.org).
16. Management fees should be comparable to market fees and should not exceed 8.5% of effective gross income. Smaller projects and/or special needs projects may request approval of a higher percentage with appropriate justification.

### *Housing Credit Per-Unit Limits*

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The maximum annual Housing Credit allocation for all 9% Housing Credit projects is \$25,000 per unit. There is no per-unit limit for Tax-Exempt Bond projects with 4% Housing Credits.

### *Housing Credit Limit with 130 Percent Basis Boost*

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All 9% Housing Credit projects are eligible for the 30 percent basis boost as deemed necessary at the sole discretion of KHC. However, Tax-Exempt Bond projects with 4% Housing Credits must be in a QCT or DDA to qualify for the basis boost and acquisition basis is not eligible for the boost.

At issuance of IRS Form(s) 8609, KHC will only apply the amount of boost necessary to support the credit allocation (up to a maximum of 30%); no additional boost will be granted. In the event the agreement between the owner and the investor contains downward adjuster language, it is the owner's responsibility to cover any shortfall in equity that may result from downward adjusters.

### *Qualified Census Tracts (QCTs) and Difficult Development Areas (DDAs)*

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The IRS stipulates certain areas as QCTs and DDAs. These areas are designated as areas that are difficult to develop or are defined as census tracts in which 50% or more of the households are at-or-below 60% of the area median income, as well as census tracts with a poverty rate of 25% or higher.

The current listing of QCTs and DDAs can be found on HUD's website. KHC will utilize the most current listings in effect as published by HUD.

## Community Service Facility

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A CSF is defined as a facility to primarily serve low-income individuals in the community whose income is 60% or less of area median income. Use of the CSF may not be limited to project residents only; it must be available to any low-income individual in the community. The CSF must be located on the same tract of land as at least one of the buildings in the project. If fees are charged for services provided, they must be affordable to individuals whose income is 60% or less of area median income. No additional credit is awarded for the CSF because the eligible basis attributed to the CSF costs is included in the project's total eligible basis.

Housing Credit projects proposing a CSF must be in a QCT. The eligible basis attributable to the CSF cannot exceed 25% 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 when ensuring a project is within KHC's cost containment limits.

## HOME & AHTF Match

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Owners must secure a minimum of 5% match for KHC HOME and AHTF funds requested.

For AHTF funds, any non-KHC financing source may be eligible, including, but not limited to:

- Private bank financing
- Donated materials, labor, or services
- Waived or reduced fees or taxes
- Gap financing from any non-KHC source
- Owner equity

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

Eligible match sources for HOME funds must be permanent, non-federal contributions as follows:

- **Cash contributions.** Excludes proceeds from Housing Credits and any other owner equity.
- **Donation/below-market sale of real property.** To document the value of property donated or sold at below market value, it must be appraised by an independent, certified appraiser in conformance with established and generally recognized appraisal practices and procedures. If the 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. A statement must be attached from the owner/seller stating that the property was donated or sold for below-market value as a contribution to affordable housing.
- **Donated construction materials.** The letter of commitment must include the method of calculating the value of donated materials and documentation of its actual cost.
- **Volunteer labor.** Valued at \$10 per hour unless classified as professional/skilled labor, 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 and actual hours worked must be documented. 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 taxes based on the restricted rents versus the market value, the net present value of the tax reduction is match eligible. The PVA must provide a letter stating 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.

### **Ineligible HOME Match Sources**

- Donations of equity, cash, real property, goods, materials, labor, services, fees, or any other contributions 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.
- Contributions paid for or reimbursed by a federal source.
- Any expenses funded with CHDO proceeds are ineligible because CHDO proceeds are derived from HOME funds.

KHC may waive the match requirement if no eligible match can be secured and the developer can document their efforts to secure eligible match.

### ***Subsidy Layering Review***

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A subsidy layering review (SLR) will be required on all projects that receive, either directly or indirectly, financial assistance from the U.S. Department of Agriculture Rural Development (RD) or the U.S. Department of Housing and Urban Development (HUD). KHC is required to follow guidelines established by RD and HUD with respect to the review of the financial assistance provided to the project.

The subsidy layering review will include a review of the amount of other governmental assistance, the amount of equity capital contributed to a project by investors, and a review of project costs including developer's fees, consultant fees, contractor's profit, syndication costs, etc.

Projects combining new Project-Based Rental Assistance with other federal funding sources are required by HUD to complete a SLR. The public housing authority (PHA) that provides the rental assistance must complete the SLR; however, if a local PHA wishes to have KHC complete the SLR, the PHA must submit a written request to KHC, along with additional documentation as required by HUD.

Projects subject to a HUD subsidy layering review must meet all the HUD safe harbor limits (as noted on the Compliance Checks tab of KHC's underwriting model), with no exceptions.

The PHA is also responsible for ensuring that the applicable environmental review is completed before submitting the subsidy layering request to KHC. The PHA must also submit to KHC a copy of HUD's approval to enter into the AHAP.

KHC will not perform the SLR or submit it to HUD until final underwriting has been approved at the pre-closing stage.

## Market Studies

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KHC maintains an [Approved Market Analyst List](#) from which developers must select an appropriate firm.

A market study/needs analysis is only valid for six months from the date of the study/analysis. All market studies must adhere to [KHC's market study requirements](#). Proposed projects may not adversely affect other affordable housing. All studies must include a rent comparison study.

If more than one project in a given jurisdiction is awarded Housing Credits and/or other KHC resources, KHC may require the projects to update their studies to consider the other projects funded in that jurisdiction and any impact on the market's need for the proposed units and submit them to KHC within 60 days of the preliminary award letter.

Applicants/developers will enter into a contract for services directly with the market analyst. The report shall identify KHC as the intended user to provide KHC a basis for investment and loan underwriting decisions.

KHC will consider the capture rate, overall vacancy rates, how proposed rents compare(s) to market-achievable rents, and the market analyst's recommendation. The study must reflect a capture rate of 30% or less for all bedroom sizes. KHC may approve a higher percentage based on compensating factors.

The market study must provide any information required for the scoring categories and identify the supporting information as indicated in the scoring workbook. Portfolio transactions must submit a separate market study for each property.

## Appraisals

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Applicants must submit an appraisal from a [KHC-approved appraiser](#) when KHC's total loan amount is \$250,000 or more. KHC may request an appraisal on any project utilizing KHC funds.

- 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.
- Appraisals must identify KHC as the intended user and include recognition of the favorable financing value of any below-market subsidy financing; however, the financing must be an arm's length transaction.
- The acquisition cost on the underwriting model cannot exceed the appraised value of sites to be acquired and the appraised value of leased sites cannot be applied to the acquisition cost of purchased sites.
- An appraisal is only valid for one year from the date of the appraisal. All appraisals must adhere to [KHC's appraisal requirements](#).
- Housing Credit projects requesting acquisition credit must submit an appraisal with the "as-is" market value of the building to support the building basis, and a separate site value for the land.
- Any variations from KHC's underwriting standards used in the appraisal must be approved by KHC during the application stage.
- KHC must receive copies of any subsequent appraisal(s). Both appraisers will need to address material discrepancies.
- Appraisals that do not demonstrate sufficient value to cover the sum of all permanent loans on the property may result in the reduction of KHC resources preliminarily awarded to the project.

## Cost Containment

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KHC has adopted cost containment guidelines to evaluate the total development cost for all projects. The cost containment limits in effect at the time of application submission must be entered in the underwriting model, and those limits will remain in effect for the duration of the project.

The total development cost must not exceed the applicable cost containment limit. For example:

- 11-unit elderly new construction, non-elevator project located in Franklin County
- 5 one-bedroom units and 6 two-bedroom units
- Total development cost of \$1,200,000

Cost containment limits: 1BR = \$157,805; 2BR = \$190,316

Therefore: Five 1-BR X \$157,805 = \$ 789,025

Six 2-BR X \$190,316 = \$1,141,896

Maximum cost containment limit: \$1,930,921

The total development cost of \$1,200,000 is below the cost containment limit of \$1,930,921.

Costs associated with commercial space, or a Community Service Facility in a Housing Credit project located in a Qualified Census Tract will not be considered in the cost containment calculation.

The cost containment limits are on KHC's website, [www.kyhousing.org](http://www.kyhousing.org).

## Maximum Allowable Fees

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All fees must be within KHC's limits. Owners are responsible for ensuring that construction contracts do not result in exceeding the maximum fee limits.

- **General requirements equals:**

General requirements ÷ (Total Hard Cost – Contingency – (General Requirements, Builder's Overhead and Builder's Profit))

Construction management fees are included.

- **Builder's overhead equals:**

Builder's Overhead ÷ (Total Hard Cost – Contingency – (General Requirements, Builder's Overhead and Builder's Profit))

- **Builder's profit equals:**

Builder's Profit ÷ (Total Hard Cost – Contingency – (General Requirements, Builder's Overhead and Builder's Profit))

Maximum allowable fees are based on the total development cost as shown below:

Total Development Cost	General Requirements	Builder's Overhead	Builder's Profit
\$250,000 and less	6%	7%	12%
\$251,000 - \$750,000	5%	6%	8%
\$751,000 and greater	6%	2%	6%

## Developer Fee

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The allowable developer fee for new construction, rehabilitation, and adaptive reuse 9% Housing Credit projects and non-credit projects is based on the total number of units created or rehabilitated in the project. Developer fees must be the lesser of the total per unit amount listed below or \$1,200,000. Consulting fees are considered part of the developer fee. The developer fee may not be increased from the amount requested in the initial application.

	<b>New Construction</b>	<b>Rehabilitation</b>	<b>Adaptive Reuse/ Historic Rehabilitation</b>
First 15 units	\$20,000	\$20,000	\$23,500
Next 30 units	\$17,000	\$15,000	\$22,500
Next 30 units	\$12,000	\$12,000	\$18,500
Units above 75	\$7,000	\$7,000	\$8,000

### Developer Fee – Tax-Exempt Bond Projects

The developer fee on Tax-Exempt Bond projects may not exceed 20% of the total development cost per property, less:

- a. Developer fee
- b. Consultant fee
- c. Any fees resembling developer or consulting fees

The developer fee may not be increased after submission of the full application; however, the developer fee will be reduced if project costs decrease.

### Deferred Developer Fee

In Housing Credit projects, if the developer is deferring 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 10 years of operation, except for Tax-Exempt Bond transactions which may extend the repayment term to the full 15 years allowed by the IRS.

### Reserve for Replacement (R4R)

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All projects must establish an R4R account. KHC will hold the account unless otherwise required by the equity provider or another lender in the project with a superior lien position. The R4R annual deposit will increase at 3% annually or as prescribed by KHC.

KHC's minimum required R4R is the greater of \$400 per unit, per year; the amount required by the Physical Capital Needs Assessment (PCNA) or Capital Reserve Replacement Schedule (CRRS); or as required by an equity provider or another financing source. For projects requesting Housing Credit only, KHC may accept a lower minimum R4R amount if allowed by the equity provider and documented in the partnership agreement.

## Replacement Reserve Analysis

The CRRS projected account balance must be positive by the beginning of the 15<sup>th</sup> year.

KHC may require owners to make an initial deposit to the R4R account as part of the upfront funding of the project as determined by the PCNA/CRRS. The underwriting model must reflect the upfront deposit.

All PCNA and CRRS studies must provide projections extending to, or beyond, the term of the KHC loan. All projects must also include an electronic submission of KHC's Excel spreadsheet "Capital Reserve Replacement Schedule."

KHC may require owners to maintain two years' worth of deposits, require an owner to cover additional expenses from other sources, or require a new PCNA/CRRS and revise the R4R deposit schedule.

KHC will apply any unused R4R balance in accounts it holds to the principal amount(s) of any outstanding KHC loan(s). R4R accounts held by other entities must be assigned to KHC when the holder no longer has a security interest or equity invested in the project.

Projects with KHC financing must submit a subsequent PCNA in year 15 and the project may be required to adjust its capital reserve replacement schedule accordingly.

## *Operating Deficit Reserve Account (ODR)*

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The minimum ODR is six (6) months of debt service payments + six (6) months of projected operating expenses. KHC may modify the ODR requirement with appropriate justification via the waiver process.

Projects with KHC loans must fully fund the reserve account no later than the first day of the month following the project's placed-in-service date.

KHC will hold the ODR escrow unless otherwise required by another lender. Such other lender must notify KHC prior to any disbursements.

For ODR escrows held by KHC: During the first two years, the ODR must maintain a minimum balance of 75% of the original amount. The owner must make deposits to maintain the required minimum balance as cash flow permits but not more than three months of the shortfall. The owner will make such deposits prior to any disbursements or other payments to any related party. The balance in the ODR may fall below the minimum balance after the initial two years and will remain in place for the life of the loan.

If KHC is financing the ODR, the full amount must be drawn on the final draw. HOME and/or NHTF funds may not be used to fund an ODR.

The owner must submit requests for ODR disbursements to KHC on the appropriate form and include an itemization of the operating expenses and supporting documentation of the actual cost of each expense.

## *Acquisition and Rehabilitation of Commercial Space*

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No KHC resources may be used to assist with the acquisition or rehabilitation costs of commercial space. Owners must either prorate the residential square footage to the commercial space square footage and separate the costs or deed the commercial space separately as a condominium regime or a master lease arrangement.

## Average Income Test (AIT)

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Owners may elect an average income set-aside, which allows a property to serve households up to 80% AMI, as long as at least 40% of the total units are rent and income restricted and the average income limit for all tax credit units in the project is at or below 60% AMI.

- Properties with project-based rental Housing Assistance Payments (HAP) contracts may only elect the average income option if the original contract was executed prior to 1981. Properties with HAP contracts executed after 1981 do not have the option to serve incomes above 60% AMI. This provision is not applicable to project-based vouchers (PBV).
- The minimum set-aside election is irrevocable once made on Form 8609. Therefore, existing developments already placed in service with a recorded LIHTC extended use agreement are not eligible to change their minimum set-aside/income election to average income.
  - Project owners may change the set-aside election prior to issuance of the Form(s) 8609 by submitting an administrative waiver and payment of the applicable waiver fee. All related documents must be updated to reflect the new election, including KHC's underwriting model and the equity agreement.
  - Once KHC has issued the Form(s) 8609, the set-aside election is irrevocable and will not be changed.
- The average income test is only permitted if all residential units are designated low-income; the project may not contain unrestricted or market rate residential units. Manager units are not subject to this restriction and are permitted in average income developments.
- Designated income/rent levels may only be set at 10% increments beginning at 20% of AMI. The allowable income/rent designation levels are 20%, 30%, 40%, 50%, 60%, 70%, or 80% of AMI. KHC will not allow more than four of the possible AMI designations to be selected per property.
- The market study must demonstrate sufficient market demand for each income bracket proposed.
- Skewing of unit designations is not allowed. Applicants must provide reasonable parity between different bedroom sizes at each targeted income band utilized on the property.
- All units must be designated with a specific AMI percentage at the time of application.
- Other than as may be limited by future federal guidance or other funding source restrictions, owners may change unit percent designations over time ("float"). However, the rent for tenant households may not increase due to the unit being changed to a higher increment.
- Owners of developments with more than one building will indicate on the Forms 8609 to treat all of them as part of a multiple building project (checking "Yes" on line 8b of the current form).
- Tax-Exempt Bond projects must still meet a 20/50 or 40/60 minimum set-aside; however, for purposes of the 4% credit allocation, the project can elect the average income set-aside. Therefore, a bond project with 4% credits can elect the 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.
- Refer to KHC's [Average Income Test Compliance policy](#) for additional information.

## CHAPTER 7: Program Policies

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The following policies (or policy excerpts) apply to all projects, unless otherwise noted.

### *Relocation of Displaced Persons (Permanent or Temporary)*

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#### Requirements for Projects Receiving Federal Assistance From KHC

Projects receiving federal assistance from KHC (HOME, NHTF, Risk-Sharing, new Project-Based Vouchers, or transfer of an existing KHC-administered Section 8 HAP contract) are subject to the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970 (49 CFR, Part 24 and 42 U.S.C. 4201-4655). Owners of projects with current tenants (regardless of whether or not the tenants will be relocated) must submit a relocation plan and submit documentation that the appropriate notices were provided to the tenants. Projects receiving federal assistance from a non-KHC source (such as the transfer of a Section 8 rental assistance contract, CDBG funds, etc.) may be subject to the provisions of the URA, but KHC is not the entity responsible for ensuring compliance when federal funds are awarded by another entity. However, KHC will review the relocation plan to ensure the owner is taking into consideration the URA requirements.

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

#### Requirements for Projects Receiving Non-Federal Assistance from KHC or Housing Credit-Only

Projects financed with non-federal KHC resources (AHTF, RHTF, or SMAL) or receiving Housing Credits only must pay to all persons displaced by the project reasonable relocation expenses as defined by the U.S. Federal Highway Administration's Uniform Relocation Assistance and Real Property Acquisition Policies Act [Fixed Residential Moving Cost Schedule](#), plus a one-time payment of \$300 per unit. Owners are not required to pay additional benefits to persons eligible for federal relocation benefits. All projects with current tenants (regardless of whether or not the tenants will be relocated) must submit a relocation plan.

The project's relocation plan must address the following (not all-inclusive; KHC may request revisions):

- Any relocation should not financially burden the tenant.
- The developer should pay for all costs associated with the move, including reasonable costs if they are temporarily housed in a hotel or motel (lodging, meals, cost to store belongings, etc.).
- If relocated to another unit, the tenant's rent payment should not be higher than their current. If the rent is higher, the developer should pay the difference.
- The temporary or replacement unit (if permanent relocation) should be similar in size and amenities to the current unit. In instances of permanent relocation, the tenant should be provided with at least 3 options and given the opportunity to decide where they would like to live.
- All costs related to the transfer of utilities, including phone, cable, and internet, should be covered, both for the initial move and then when the tenant returns to their original unit.
- All tenants should receive timely and appropriate notices. Even when URA is not triggered, it is recommended that the standard federal notices be delivered to the tenants and records kept to document their receipt of the notices.

## *Funding Gaps/Substantial Change*

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KHC will consider increasing its loan funds by up to 10% for a funding gap (in excess of the developer fee and construction contingency) due to increases in hard costs identified after application approval and prior to closing and the start of construction. Owners must submit:

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

A gap of more than 10% of KHC's investment (exclusive of Housing Credits) or the number of units changing by 10% or more is a substantial change. In this case, the owner must either locate other funding or forfeit the reservation.

Owners must use developer fee and/or construction contingency before requesting additional funds. KHC will not consider requests for funding gaps due to increases in soft costs.

## *Identity of Interest*

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An identity of interest relationship exists if any officer, director, board member, or authorized agent of any development team member (developer, consultant, general contractor, architect, attorney, management agent, nonprofit agency, seller of the project real estate, etc.):

1. is also an officer, director, board member, or authorized agent of any other development team member;
2. has any financial interest in any other development team member's firm or corporation;
3. is a business partner of an officer, director, board member, or authorized agent of any other development team member;
4. has a family relationship through blood, marriage or adoption with an officer, director, board member, or authorized agent of any other development team member or company providing services to the project; or
5. advances any funds or items of value to the sponsor/borrower.

All applications must specifically disclose any identities of interest. Failure to do so will result in disciplinary action per KHC's [suspension and debarment policy](#).

## *Conflict of Interest*

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A conflict of interest exists in situations in which a public official or fiduciary who, contrary to the obligation and absolute duty to act for the benefit of the public or a designated individual, exploits the relationship for personal benefit.

The appearance of a conflict of interest is present if there is a potential for the personal interests of an individual to clash with fiduciary duties. KHC will not allow individuals or businesses to participate in or provide a service to the project that have a conflict of interest in the project.

## *Suspension and Debarment*

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Any parties found to be in consistent noncompliance with program guidelines or that demonstrate flagrant or serious incident(s) of misuse of funds will not be allowed to participate in KHC programs.

Any person or agency that, except for good cause shown, shall have committed, or failed to perform (as the context may require) an act or omission identified in KHC's [Suspension and Debarment Policy](#), may be subject to suspension and/or debarment by KHC and prohibited from doing further business with or entering into any contractual relationship with KHC.

## *Financial Statements*

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KHC may require any project for which it holds a mortgage, regardless of lien position, to submit financial statements annually. The financial statement requirements 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.

## *Annual Performance Reports*

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Owners of projects receiving any type of funding through KHC's Multifamily Programs Department must 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 Requirements*

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KHC-assisted projects must meet compliance requirements throughout the affordability period. KHC will conduct compliance reviews and will inspect all projects at least every three years.

KHC will notify the entity, in advance, when inspections will be scheduled. The entity or management agent must adhere to the following:

- Tenants must be given at least 30 days written notice before increases are implemented.
- 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).
  - ✓ **Lease:** As signed by both parties with the rent amount.
  - ✓ **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.
  - ✓ **Documentation of Rent Increases**
- KHC may inspect each development for compliance with applicable physical standards.

## *Uniform Residential Landlord Tenant Act*

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The Uniform Residential Landlord Tenant Act (URLTA) was enacted by the Kentucky legislature in 1984 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. 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.

KHC requires developers who receive funding or Housing Credits 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).

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 unit, and to know when the tenant will be absent for more than 7 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.

The lease agreement must include the KHC HOME/National Housing Trust Fund Lease Addendum (for HOME or NHTF projects) or the KHC Lease Addendum (for all other projects), which incorporates the provisions of URLTA into the lease. The tenant selection plan must include the following language:

***Uniform Residential Landlord Tenant Act: The Kentucky Uniform Residential Landlord Tenant Act (“URLTA”) both preserves the quality of the housing stock and provides for rights for renters across Kentucky. [Management Company] and its tenants comply with URLTA. Tenants and Management are required to comply with provisions of URLTA.***

## ***Protections for Victims of Domestic Violence, Dating Violence, Sexual Assault, or Stalking***

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The Violence Against Women Act (VAWA) was enacted by Congress to provide protections to victims of domestic violence, dating violence, sexual assault, or stalking. These protections include housing protections for tenants in projects receiving funds under the HOME, NHTF, and LIHTC programs.

KHC requires developers who receive funding or Housing Credits to adhere to the requirements of VAWA. The majority of the protections for victims are incorporated into the KHC HOME/Housing Trust Fund Lease Addendum (for HOME or NHTF Projects) or the KHC Lease Addendum (for all other projects), which must be attached to every lease. Developers and management companies are responsible for creating and implementing policies to ensure that they are capable of meeting the requirements of these lease addendum provisions.

In addition, developers must take the following actions to ensure tenants are protected:

### **Notification Requirements**

Developers and management companies must provide to each applicant and tenant the following forms:

1. "Notice of Occupancy Rights under the Violence Against Women Act" form; and
2. Certification form to be completed by the victim to document an incident of domestic violence, dating violence, sexual assault, or stalking that:
  - (i) states that the applicant or tenant is a victim of domestic violence, dating violence, sexual assault, or stalking;
  - (ii) states that the incident of domestic violence, dating violence, sexual assault, or stalking that is the ground for protection under this subpart meets the applicable definitions for such incident (which may be found at 24 CFR 5.2003); and (iii) includes the name of the individual who committed the domestic violence, dating violence, sexual assault, or stalking, if the name is known and safe to provide.

The notice and forms required under this section must be provided to the applicant and tenant any time an application is denied, any time an application is accepted, or a tenant begins receiving assistance, and must be included with any notification of eviction or notification of termination of assistance.

### **Emergency Transfer Plan**

Developers and management companies must develop and submit an Emergency Transfer Plan that provides tenants who are victims of domestic violence, dating violence, sexual assault, or stalking the ability to request an emergency transfer to another unit. Such Emergency Transfer Plan must comply with the requirements of 24 CFR 5.2005(e). Developers and management companies are required to submit their Emergency Transfer Plans to KHC during the technical submission stage.

Template forms required by this section, including a model Emergency Transfer Plan, are available on HUD's website at [https://www.hud.gov/program\\_offices/housing/mfh/violence\\_against\\_women\\_act](https://www.hud.gov/program_offices/housing/mfh/violence_against_women_act).

## CHAPTER 8: Design and Construction Review

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### *Preliminary Plans – Minimum Requirements*

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Developers must submit preliminary building plans at application submission via the UFA system. Following are the minimum requirements:

#### **Building Floor Plan**

- Drawings should be at 1/8" or 1/4" scale depending upon development type.
- Show overall exterior building dimensions and 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**

- Typical wall section from foundation-to-roof illustrating KHC minimum insulation "R-Value" requirements.

#### **Elevations**

Elevations 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.

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

### *Permit Set and Final Plans – Minimum Requirements*

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Developers must submit building plans at technical submission and pre-construction stages via the UFA system. All pages must be included in order, under one single attachment. Following are the minimum requirements:

#### ***Minimum building plan information and requirements:***

- Building floor plans must be 1/8" = 1' scale.
- Individual unit plans must be at 1/4" = 1' 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 applicable accessibility requirements (UFAS, Fair Housing, ANSI A117.1, 2010 ADA or KHC Universal Design, one or more as applicable).

- Address the issues identified in the PCNA (if applicable, for rehabilitation projects).
- Projects with 12 or more units must have plans prepared by a licensed design professional, dated and sealed with the architect's and engineer's stamp and signature.

**For projects containing 12 units or more**

The construction plans must contain:

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

**For projects with 11 units or less**

The construction plans must contain:

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

Corrections to the final plans being done by an addendum must be submitted for review and should contain all necessary corrections. KHC will not complete its final review until final verification of modifications or changes are received from the building code officials.

During the technical submission and pre-construction stages, KHC will review all building plans and developers must make all necessary modifications or corrections. KHC must approve all changes and modifications prior to KHC's commitment and final underwriting.

**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 infeasible.
- 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, except for 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)*

The cost of all connection fees, tap fees, and/or relocation cost, if any, should be included in the development cost.

If off-site utilities are being brought to the site by local municipalities, a letter must be provided including the date the work will begin and be completed, and the anticipated cost. Proof that the work will be paid for by local municipalities must be submitted. 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 number of shrubs, trees, and plantings. The landscaping plan must:

- 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)*

- 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. Submit a plan for each 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.
- Closet shelving, ceiling access, exterior walkways, porches, etc.
- 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 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.
- Transition line between different floor finishes.
- Where ceilings and soffits are dropped.
- Closet shelving and type.
- Kitchen cabinets, vanities, and toilet fixtures.
- 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 NSPIRE standards.

### **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 drawings 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 describes light fixtures, circuit breakers, and other miscellaneous items.

### **Structural Drawings**

*(Required for 12 units or more, only 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.

## Site Plans

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- 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.
- All residential buildings in the development should be numbered in sequential order, with any common area buildings (leasing office, maintenance building, laundry facility, etc.) appearing at the end of the list of numbers. The building numbers must correlate to the Building Identification Numbers (BINs) entered into the UFA system at pre-closing stage.
- All exterior items, such as parking, street walks, curbs, dumpster pads with enclosures, playgrounds, community rooms, and fences should be noted.
- All dimensions, setbacks, easements, and rights-of-way must be shown, with a “North” indicator.
- 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.

## Permit Set and Final Specifications

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Permit set and final specifications are required for all projects, except rehabilitation projects of 11 units or less may submit a work write-up in lieu of specifications. During the technical submission stage, KHC’s Design and Construction staff will review the permit set specifications in conjunction with the permit set plans. If changes occur during the review of the permit set plans that may cause a change in the specifications, the developer will be notified if any additional changes or corrections 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 (CSI) master format using standard AIA documents. The architect must write the specifications in accordance to accepted standards, rules, and regulations, and include specific products by model number and manufacturer (without limiting the contractor to one or two manufacturers).

KHC must approve all changes and modifications prior to commitment and final underwriting. Final specifications will be reviewed during the pre-construction stage and any previous review comments during the application and technical submission stages 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 and include all documents that pertain to the construction contract.

The specifications must include the following 23 divisions:

Division 01: General Requirements

Division 02: Existing Conditions

Division 03: Concrete

Division 04: Masonry

Division 05: Metals

Division 13: Special Construction

Division 14: Conveying Equipment

Division 21: Fire Suppression

Division 22: Plumbing

Division 23: HVAC

Division 06: Carpentry  
Division 07: Thermal & Moisture Protection  
Division 08: Door & Windows  
Division 09: Finishes  
Division 10: Specialties  
Division 11: Equipment  
Division 12: Furnishings

Division 26: Electrical  
Division 27: Communications  
Division 28: Electronic Safety & Security  
Division 31: Earthwork  
Division 32: Exterior Improvements  
Division 33: Utilities

The architect must clearly define the following in each section:

- 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 describe the means and methods to accomplish the work during inclement weather conditions and 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

Manufacturer's specifications are required for the following items:

- Heating and cooling products, including programmable thermostats
- Windows
- Clothes washers, dishwashers, refrigerators, and range hoods
- Ceiling fans, light fixtures, and ventilation fans
- Water heaters

### *Work Write-Up Requirements (11 units or less)*

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At a minimum, 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.

## **Final Work Write-Up Description**

KHC will review all final plans and developers must make all necessary modifications or corrections. KHC must approve all changes and modifications prior to KHC's commitment and final underwriting.

For rehabilitation projects of 11 units or less, in lieu of specifications, KHC will review the final work write-up in conjunction with the final plans and developers must make all necessary modifications or corrections. If changes occur during the review of the final plans that may cause a change in the work write-up, the applicant will be notified of any additional changes or corrections that need to be made.

## *Universal Design*

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Universal design is required for all new construction and adaptive reuse projects. The Universal Design standards can be found on [KHC's website](#) under Development, Design and Construction.

## *Minimum Design Standards*

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KHC's Minimum Design Standards are on [KHC's website](#) under Development, Design and Construction.

## *Federal and State Accessibility Requirements - Section 504*

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

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

## *Fair Housing Design Requirements*

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Fair Housing design requirements apply to new construction and all rehabilitation units occupied after March 13, 1991.

## *Kentucky Building Code*

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

## *Radon Testing and Mitigation Requirements*

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Effective April 11, 2024, KHC established policies and procedures for projects funded with HOME, NHTF, and/or Risk-Sharing that are subject to Part 58 Environmental Review regulations to ensure grantees performing environmental reviews comply with [HUD CPD Notice- 23-103: Departmental Policy for Addressing Radon in the Environmental Review Process](#).

To ensure the safety of all residents, rental units developed or rehabilitated with any KHC resource, including Affordable Housing Trust Fund (AHTF), Rural Housing Trust Fund (RHTF), Small Multifamily Affordable Loan (SMAL), Risk-Sharing, Low-Income Housing Tax Credits (LIHTC), and Tax-Exempt Bonds must comply with the passive radon reduction venting system, radon testing, and radon mitigation requirements established by this policy. However, Environmental Review requirements do not apply to non-federally assisted units. Radon documentation for these projects must be submitted to KHC.

## ***Physical/Capital Needs Assessment (PCNA) Requirements***

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All rehabilitation projects must submit a PCNA as an attachment to the application. PCNAs are valid for six months; beyond that, KHC requires a signed and dated certification from the licensed professional who compiled the original document attesting to its current accuracy and applicability.

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 have sufficient background inspecting multifamily housing.
- Inspectors must 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 must also meet all the requirements as set forth for an inspector including insurance.
- The preparer's credentials including licenses, qualifications, and experience must be included in the PCNA.
- All PCNAs must be conducted by independent third parties, defined as completely separate entities, having no other affiliation with the project, and that will not provide any other services for the project. An architect or engineer preparing construction-related documents for the project is not considered an independent third party.

### ***Physical/Capital Needs Report Requirements:***

- The report must describe, in detail, all rehabilitation work required including all respective related additional work. Separate estimates for both must be submitted.
- A minimum of 25% 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 reports must indicate the items and areas in need of immediate repair, including a separate analysis on all components that will need repair or replacement within the next five years.
- The most recent version of the [Fannie Mae Form 4099 Appendix F: Estimated Useful Life Tables](#) are to be used to document the age and EUL of all building components evaluated in the PCNA.

- Submit a report on all existing conditions or items in violation of applicable building codes, federal and/or state accessibility standards, and/or local ordinances. Detail corrective measures required to bring all items into compliance.
- Note any visible evidence of hazardous substances, including but not limited to: asbestos containing material, lead-based paint, petroleum bulk storage, polychlorinated biphenyls, and chlorofluorocarbons.
- 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. 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 include an electronic version of KHC's Excel spreadsheet "Capital Reserve Replacement Schedule" as an integrated part of the report or as an addendum.

All reports must be prepared in compliance with all applicable federal and state laws and regulations. KHC requires a projection extending to or beyond the term of KHC's loan, or a 20-year term PCNA if the project is only requesting Housing Credits. 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, NHTF, or AHTF gap financing from KHC.

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

## *Pre-Construction Conference*

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A pre-construction conference is required on all projects. 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 conference will be conducted by KHC's project review administrator and construction specialist, in conjunction with the project specialist.

The final review of the technical submission and pre-construction documents and underwriting should be completed prior to the pre-construction conference being scheduled. The developer is responsible for contacting KHC's project review administrator to schedule the pre-construction conference no later than two weeks before the requested meeting date. The assigned KHC project specialist must also be copied on the meeting request to determine if the project is ready for the pre-construction conference.

For developers who have not previously used KHC resources to construct or rehabilitate a rental project, a full pre-construction conference will be required; however, for developers experienced with KHC's

multifamily programs, a more limited pre-construction conference may be conducted at KHC's discretion. Dependent on the type of project and the developer's experience with KHC, the pre-construction conference will be conducted either virtually online, at KHC's offices, or at the project site. At the conclusion of the meeting, the KHC Pre-Construction Conference Form will be signed by the developer, contractor, and KHC construction specialist.

The developer, contractor, site superintendent, and architect (if applicable) should attend. The following topics will be discussed:

- Construction inspection schedule
- Final cost breakdown
- Requirements for safety fencing
- Requirements for job safety
- [Project signage requirements](#)
- Davis-Bacon wage rates, if applicable
- [Draw request process](#)
- [Change order process](#)
- The [Notice to Proceed](#)

## *Project Signage Requirements*

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All projects must provide and display signage throughout the construction phase in a prominent location on the site. If display space is not limited, all partner logos should be equally proportioned. If display space is limited, all partners should be named using text of equal size. Smaller developments, such as rehabilitation projects, may request approval to reduce signage to 2- by 4-feet. The Equal Housing logo is required on all signage and cannot be listed as text.

## *Termite Control Services/Commercial Applicator Licensing*

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**Inspectors:** All persons involved in the commercial and non-commercial application of pesticides must submit proof of a license and certification through the Kentucky Department of Agriculture.

**Companies:** All companies involved in the commercial and non-commercial application of pesticides must submit proof of a license and certification through the Kentucky Department of Agriculture. Additionally, companies providing the above services must also show proof of being registered with the Kentucky Secretary of State as a business in active status and good standing.

## *Notice to Proceed*

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The developer may indicate their *desired* construction start date on the Pre-Construction Conference Form; however, KHC will notify the developer when all conditions have been satisfied and construction is authorized to begin. This is the developer's Notice to Proceed.

KHC will not issue a Notice to Proceed with construction until the following conditions have been met:

- Pre-construction conference has been conducted.
- All pre-construction and pre-closing documents have been received and approved.
- All applicable loan and equity closings have occurred.
- KHC's final underwriting has been completed and, for Housing Credit projects, the final credit reservation letter has been sent.
- KHC's final project set-up has been reviewed and executed.

Once these conditions have been satisfied, KHC will return the Pre-Construction Conference Form to the developer, signed and dated by the KHC project specialist. No construction of any kind may begin until the fully executed form is returned to the developer, which serves as the developer's Notice to Proceed. After receipt of the Notice to Proceed, the developer must notify the KHC construction specialist and the project specialist of the actual date construction will begin.

Construction may not start on a project before the closing without prior written permission from KHC. Starting construction early without KHC's permission will affect capacity scoring on future applications, incur a [penalty fee](#), and result in withholding of KHC funds from the project.

## *Early Start of Construction*

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KHC may consider allowing the developer to begin limited construction activities prior to closing. Repeated requests for an early start of construction may result in a capacity deduction in future funding rounds. All requests for an early start of construction are subject to [early start fees](#).

A developer seeking an early start of construction must complete the waiver request form, detailing the unique circumstances that make an early start an unavoidable necessity, as well as the scope of the work planned prior to closing. A pre-construction conference must be conducted prior to the start of any construction. If the early start request is approved, KHC will send an authorization letter to the developer, which must be signed and returned to KHC. Any approval for an early start will be at the owner/developer's own risk, independent of any financing commitment by KHC.

KHC must approve the following before considering an early start request:

- Evidence that the developer already owns the site or will complete the acquisition prior to the start of construction
- Owner/contractor agreement
- Building permits
- Evidence of general liability, worker's compensation and builder's risk insurances, with KHC named as an additional insured
- Assurance of completion (irrevocable letter of credit or payment and performance bond)
- Projects receiving federal funds must also have full environmental clearance.

## *Construction Inspections*

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KHC's construction specialist will make regular visits to the project to review progress and ensure the project conforms to all KHC requirements. A copy of all KHC-approved plans and specifications must be available at the project site during inspections. Inspection visits will occur at least once a month but may take place at any time. Owners must notify KHC to complete the inspection of the following:

1. All footers prior to pouring.
2. Rough-in on all units when mechanicals are installed and prior to drywall.
3. Project completion when the units are ready for occupancy.

The owner must correct all issues and deficiencies noted in KHC's inspection reports.

For Housing Credit only projects, KHC may require and accept an alternative inspection report for the three stages of construction performed on behalf of the investor or other lender.

## Construction Draw Requests

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KHC's construction specialist will review the requested construction costs during the monthly inspection and will electronically sign the KHC [draw request](#) approving only the hard costs. All other costs will be approved by the KHC program staff person reviewing the draw request.

In projects where KHC has awarded both amortizing and deferred loan funds, the amortizing loan funds must be disbursed first.

KHC will disburse up to 40% of the developer fee up front and the remaining 60% on a percentage basis in line with the percent of work completed.

### Construction Draw Policies

1. KHC will only disburse funds via an Electronic Funds Transfer (EFT) to the account identified on the EFT authorization form submitted during the pre-closing stage.
2. Only authorized persons, as identified on the [Authorized Signature Form](#), may submit a draw request. The person who submits the draw request may not be the same person who authorizes and/or signs for the disbursement of funds.
3. Owners must submit all draw requests electronically on a fully executed and completed [Program Funding Draw Request](#). Owners must certify that all funds will be disbursed within five business days of receipt. The architect (if applicable) must certify that all work, labor, and materials are satisfactory and in accordance with approved plans and specifications.
4. Owners may request disbursement of KHC funds only to meet current needs for payment of eligible costs. Old invoices or invoices previously paid by another source will not be accepted. Costs incurred by the developer for project oversight should be paid from the developer fee and are not reimbursable by KHC.
5. Projects that contain commercial space must submit a separate itemization with any draw request containing commercial space costs.
6. KHC will not pay for materials stored off-site unless they are insured, invoiced, properly stored, and secured.
7. Construction contingency funds will not be disbursed unless KHC has approved change orders. Unused contingency funds will be recaptured from any KHC funds awarded to the project.
8. KHC will retain 10% of the total of all KHC funds until final inspection is complete and all final documents are received and approved.
9. Each project is limited to one draw request per month.
10. Draw requests must be in whole dollar amounts, rounded down to the nearest dollar.
11. All HOME and/or NHTF projects must submit a draw request for HOME/NHTF funds at a minimum of once every 12 months, otherwise the project will be deemed inactive by HUD.
12. Owners must submit the following documentation electronically for each draw request:
  - ✓ KHC [Program Funding Draw Request](#) completed online.
  - ✓ Updated Title Endorsement to Title Policy for each KHC funding source for which a draw request is submitted, no more than 30 days old, reflecting the actual amount of the proposed disbursement and the total amount disbursed to date.

- ✓ Builder's or Contractor's Affidavit of lien waiver (must be submitted with every draw for all major component contractors).
- ✓ 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). All supporting documentation must have the contractor's or vendor's identification of the project for which the expense was incurred.

The title endorsement and all updates must reference the policy number and the names of the borrower and insured party. All title updates include the following language:

*"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."*

## Draw Errors

If for any reason a submitted draw request cannot be processed (missing or incomplete documentation, numerical errors, outdated title endorsement, etc.), KHC will notify the developer of the draw deficiencies via email. The developer will have five (5) business days from the time of notification to correct the deficiencies. If the draw cannot be corrected within 5 business days, the draw will be returned to the developer for resubmission when it is ready.

## Final Draw

Owners may request a final draw after KHC has approved all final completion documentation. The final draw may include construction interest due to KHC, escrows for taxes and insurance, or other amounts due. KHC will not approve the final draw until it has approved the final inspection, project completion reports, and/or final endorsements/modifications to the note.

If there are unspent contingency funds as documented by approved change orders, KHC will recapture the unspent contingency as a reduction to any KHC funds made to the project. If the unspent contingency is greater than the amount of retainage remaining, the developer will be required to issue a refund to KHC within two weeks of the date of notification that a refund is due.

## Change Orders

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Owners must submit change orders to the approved final plans and specifications to KHC for approval at the time the change is needed. KHC will not approve change orders submitted after completion of the work to be changed. If KHC is unable to review the work at the time of the change the change order may not be approved.

Change orders that include costs for commercial space must submit a separate itemization of change order costs for the commercial space, or a percentage of the cost attributed to each area.

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.

## Change Order Process

- The owner/developer must notify the assigned KHC Construction Specialist as soon as possible to schedule an inspection of any areas related to the change order if needed before the next recurring inspection.
- The change order request must include: the Change Order Verification Form, AIA G701 executed by all parties and any supporting documentation (quotes, cost breakdowns, bids, etc.).
- If not approved, the request will be returned to the developer with the reason/s for denial stated.
- Once final approval is achieved, KHC will provide a copy of the approved change order to the developer.

## CHAPTER 9: Program Descriptions

Following is a brief description of the various programs administered by KHC for the production of affordable multifamily rental housing. This chart should not be construed as an all-inclusive list of all the requirements of each program. The availability of these programs is contingent upon continued funding by the federal or state government, as applicable.

Program	Eligible Applicants & Activities	Summary of Program Requirements
<b>Low-Income Housing Tax Credits (LIHTCs or Housing Credits)</b>	<ul style="list-style-type: none"> <li>Housing Credit is not a source of funds; it is an allocation of federal tax credits the project owner sells to an investor.</li> <li>Eligible applicants are nonprofits, for-profit entities and local governments. However, for-profit involvement is required to access credits.</li> <li>Eligible activities are new construction, rehabilitation and/or preservation of low-income rental housing.</li> </ul>	<ul style="list-style-type: none"> <li>An investor purchases the Housing Credits, which they claim against their federal income tax liability for ten years. The resulting equity from the purchase of credits is used to finance the project.</li> <li>The property must remain affordable for a minimum of 33 years.</li> <li>Eligible households must have incomes at or below 60% of the area median.</li> </ul>
<b>Tax-Exempt Bonds Utilizing 4% Housing Credits</b>	<ul style="list-style-type: none"> <li>KHC is the designated bond issuing authority for all housing projects within the Commonwealth of Kentucky.</li> <li>Eligible applicants are for-profit and nonprofit developers.</li> <li>KHC issues the bonds with proceeds going to a developer for the purpose of constructing affordable housing.</li> <li>Repayment of the bond financing comes from revenue generated by the project.</li> <li>Eligible activities are new construction, acquisition with new construction, acquisition with rehabilitation and rehabilitation of existing rental units.</li> </ul>	<ul style="list-style-type: none"> <li>Because bonds are tax-exempt, developers can obtain an interest rate that is typically lower than market rate.</li> <li>Bonds can be short term (24 months) or long term (up to 40 years).</li> <li>Bond projects utilizing at least 51% of bond proceeds to fund eligible project costs are eligible for 4% Housing Credits to generate equity for the project.</li> <li>Tax-Exempt Bond projects are subject to payment of additional fees as outlined in <a href="#">Chapter 1: Project Timelines and Fees</a>.</li> <li>Eligible households must have incomes at or below 60% of the area median.</li> <li>The Tax-Exempt Bond program utilizes the IRS Section 142 rent and income limits, which can be found in the <a href="#">Novogradac Rent &amp; Income Calculator</a>.</li> </ul>
<b>Affordable Housing Trust Fund (AHTF)</b>	<ul style="list-style-type: none"> <li>AHTF is for gap financing only.</li> <li>Eligible applicants are nonprofit organizations. The nonprofit must be the majority of the ownership entity and materially participate in the project for the term of the loan.</li> <li>Eligible activities are new construction, acquisition with rehabilitation and rehabilitation of existing rental units.</li> </ul>	<ul style="list-style-type: none"> <li>AHTF requests can be in the form of an amortizing or deferred loan.</li> <li>AHTF loans are non-recourse.</li> <li>The minimum affordability period will not be less than 30 years; however, the term of the loan shall not exceed 30 years.</li> <li>Eligible households must have incomes at or below 60% of the area median.</li> </ul>

<p><b>Rural Housing Trust Fund (RHTF)</b></p>	<ul style="list-style-type: none"> <li>• RHTF is for gap financing only.</li> <li>• Eligible applicants are nonprofit organizations, for-profit developers, local public housing authorities, and units of local government.</li> <li>• Eligible activities are new construction, acquisition with rehabilitation and rehabilitation of existing rental units in rural-designated areas.</li> </ul>	<ul style="list-style-type: none"> <li>• RHTF requests can be in the form of an amortizing or deferred loan.</li> <li>• The interest rate will be 0-3%, as determined by KHC’s underwriting analysis.</li> <li>• RHTF loans are non-recourse.</li> <li>• The minimum affordability period will not be less than 30 years; however, the term of the loan shall not exceed 30 years.</li> <li>• Eligible households must have incomes at or below 120% of the area median.</li> </ul>
<p><b>HOME Investment Partnerships (HOME) Program</b></p>	<ul style="list-style-type: none"> <li>• HOME is for gap financing only.</li> <li>• Eligible applicants are nonprofit organizations and for-profit entities.</li> <li>• Eligible activities are new construction acquisition with rehabilitation and rehabilitation of existing rental units.</li> <li>• HOME is a federal program and all federal cross-cutting regulations apply (24 CFR, 92.350 – 92.358).</li> </ul>	<ul style="list-style-type: none"> <li>• HOME funds may not be used for refinancing.</li> <li>• HOME is a recourse loan.</li> <li>• HOME funds may be structured as an amortizing loan or deferred loan.</li> <li>• The loan term shall be equal to the period of affordability period, not to exceed 20 years.</li> <li>• Eligible households must have incomes at or below 60% of the area median.</li> </ul>
<p><b>National Housing Trust Fund (NHTF)</b></p>	<ul style="list-style-type: none"> <li>• NHTF is for gap financing only.</li> <li>• Eligible applicants are nonprofit organizations and for-profit entities.</li> <li>• Eligible activities are new construction, acquisition with rehabilitation and rehabilitation of existing rental units.</li> <li>• NHTF is subject to all the same federal cross-cutting regulations as the HOME program, except for Davis-Bacon wage rates.</li> <li>• Projects requesting NHTF must have project-based rental assistance.</li> </ul>	<ul style="list-style-type: none"> <li>• NHTF funds can be used for construction and permanent loans. NHTF funds cannot be used for refinancing.</li> <li>• NHTF is a recourse loan.</li> <li>• NHTF funds must be secured with a mortgage and may be structured as an amortizing loan or deferred loan.</li> <li>• The minimum affordability period will not be less than 30 years; however, the term of the loan shall not exceed 30 years.</li> <li>• Eligible households must have incomes at or below 30% of the area median.</li> </ul>
<p><b>Small Multifamily Affordable Loan (SMAL) Program</b></p>	<ul style="list-style-type: none"> <li>• Eligible applicants are nonprofit organizations, for-profit entities and units of local government.</li> <li>• Eligible properties must have eleven units or less.</li> <li>• Eligible activities are new construction, acquisition with new construction, acquisition with rehabilitation and rehabilitation of existing rental units.</li> </ul>	<ul style="list-style-type: none"> <li>• SMAL can be used for construction loans and permanent mortgage loans. SMAL cannot be used for refinancing.</li> <li>• The interest rate will not be lower than 3.5% and the maximum LTV is 90%. There is a 1% origination fee.</li> <li>• The term of the loan shall not exceed 30 years. SMAL is a recourse loan.</li> <li>• Eligible households must have incomes at or below 120% of the area median.</li> </ul>

<p><b>Risk-Sharing</b></p>	<ul style="list-style-type: none"> <li>• Risk-Sharing provides permanent financing for projects of 5 or more units; construction loans not currently allowed.</li> <li>• Eligible applicants are nonprofit organizations and for-profit entities.</li> <li>• Risk-Sharing is a mortgage insurance program in conjunction with HUD. All federal cross-cutting regulations apply.</li> <li>• Eligible activities are new construction, acquisition with new construction, acquisition with rehabilitation and rehabilitation of existing rental units.</li> </ul>	<ul style="list-style-type: none"> <li>• The loan term may not exceed 40 years and the maximum loan-to-value is 90%.</li> <li>• Loan interest rate is determined periodically as established by KHC.</li> <li>• There is a 1/2% monthly mortgage insurance premium (MIP).</li> <li>• Risk-Sharing loans are non-recourse and must be utilized with Housing Credits.</li> <li>• Eligible households must have incomes at or below 60% of the area median.</li> </ul>
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## CHAPTER 10: Document Checklists by Project Stage

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Applicants must upload all attachments, and each document must be identified separately with the item name as it appears below. The UFA identifies documents that are KHC-provided forms. If a document does not apply, mark the “N/A” button in the UFA.

Application documents must be current and may not be dated more than six (6) months from the application submission deadline date, unless otherwise specified.

### *Development Team Capacity Stage*

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#### **Organizational and Credit Review Documents**

All development team members, other than those acting solely as a consultant, must submit the following documentation, as applicable. Newly formed entities must include documentation for the principals.

##### **Corporation:**

###### ***Organizational Documents***

- Articles of Incorporation, and any amendments
- Bylaws, and any amendments
- Kentucky Secretary of State Certificate of Existence
- Corporation’s Tax Identification Number

###### ***Credit Review Documents***

- Current Financial Statements – 2 years’ Balance Sheet, Profit & Loss and Cash Flow Statements
- Business Credit Report Authorization
- Most recent one-year business tax return

##### **Nonprofit Corporation:**

###### ***Organizational Documents***

- Articles of Incorporation, and any amendments
- Bylaws, and any amendments
- Kentucky Secretary of State Certificate of Existence
- IRS 501(c)(3) status letter (must be the final status determination letter, if one has been issued)
- A current listing of the Board of Directors and their current occupations.

###### ***Credit Review Documents***

- Current financial statements – 2 years’ Balance Sheet, Profit & Loss and Cash Flow Statements
- Business Credit Report Authorization
- Most recent IRS Form 990

##### **Limited Liability Company:**

###### ***Organizational Documents***

- 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 Tax Identification Number

***Credit Review Documents***

- Current Financial Statements – 2 years' Balance Sheet, Profit & Loss and Cash Flow Statements
- Business Credit Report Authorization
- Most recent one-year business tax return

**Note: A new LLC will require individual members' financial reports and credit reports**

**Government Entity:**

***Organizational Documents***

- Resolution from Appointing Authority
- Bylaws, and any amendments

***Credit Review Documents***

- Current financial statements – 2 years' Balance Sheet, Profit & Loss and Cash Flow Statements

**Partnership:**

***Organizational Documents***

- Partnership Agreement (General and/or Limited) and any amendments (need Certificate of Limited Partnership for LPs)
- Kentucky Secretary of State Certificate of Existence
- Partnership's Tax Identification Number

***Credit Review Documents***

- 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

**Note: A new Partnership will require individual partners' financials and credit reports**

**Foreign Entity:**

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

**Full Disclosure**

Applicants must complete and submit KHC's Full Disclosure Form for all entities and individuals in the Development Team organizational structure, which includes the following:

1. A statement concerning all criminal convictions, indictments, and pending criminal investigations of all members of the development team, including dates and details of each circumstance, unless otherwise prohibited by court order, statute or regulation.

2. Any relationship between individuals or entities participating in a project that could constitute a conflict of interest or identity of interest between the parties or cause the entities to exceed KHC's funding limits.
3. Complete organizational charts for the owner and developer entity that clearly show all principals down to individuals involved in the ownership and development of the project.
4. All development fee sharing arrangements (includes any individuals or entity receiving a portion of the development fee).
5. All guarantor agreements. KHC may determine that a guarantor has a different or additional roles.
6. All consulting agreements, whether direct or indirect, paid or unpaid. KHC may determine that a consultant is a real party in interest to either the general partner and/or developer entities.
7. All pending litigation that could result in suspension or debarment as defined in KHC's policy.
8. Significant non-performance in a government housing program (including Fannie Mae, Freddie Mac, and Federal Home Loan Bank programs).
9. Any development team member that has an adverse credit history including but not limited to a default in the payment of any commercial or personal loan.

## Development Team Capacity Application Attachments

Applicants must submit the following items with the online application.

### 1. **Capacity Application Fee**

Evidence of electronic payment of the capacity application fee for each entity on the development team for which approval is being requested.

### 2. **Technical Assistance Certification Form** (*KHC form*)

If applicable. Refer to [Chapter 2: Eligible Applicants and Development Team Capacity](#) for technical assistance requirements.

### 3. **Organizational Documents**

All development team members must submit the applicable organizational documents outlined above. Newly formed general partner entities and guarantors are required to submit this information at the pre-closing stage. Nonprofit organizations participating in the development, ownership or management of the project must also submit a copy of their final IRS 501(c)(3) determination letter.

### 4. **Credit Review Documents**

All members of the development team, except members acting solely in the role of consultant, must submit the credit review documents outlined above, as applicable. All financial documents should be marked as "private" and uploaded to the UFA Document Repository. Newly formed general partner entities and guarantors must submit this information at the pre-closing stage.

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.

**5. Spreadsheet Summary of All Projects Under Construction**

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.

**6. Organizational Chart(s) and Resumés**

Each development team member must submit a full organizational chart, staff roster, and resumés of principal officers/members, detailing affordable housing development experience.

**7. Out-of-State Experience Certification (Developers and Management Companies)**

*(KHC form)*

All applicants/developers and management companies who have not done business with KHC in the last three years must submit a copy of the Housing Finance Agency (HFA) review for projects financed with HFA resources in other states. There is a separate form for developers and management companies.

**8. Full Disclosure Documentation *(KHC form)***

Each member of the development team must submit KHC's Full Disclosure Form and any applicable supporting documentation.

## Funding Application and Scoring Review Stage

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### Tax-Exempt Bond Documents

*(Top tier “parent” portfolio projects must submit these documents in a separate portfolio application; single-property TEB projects must submit these documents with the full application)*

**1. Portfolio Application Fee**

*(Top tier “parent” portfolio projects only)*

Evidence of electronic payment of the \$1,000 portfolio application fee must be submitted.

**2. Portfolio Summary Underwriting Model** *(KHC form)*

*(Required for portfolio transactions consisting of multiple properties)*

In addition to the underwriting model for each property in the portfolio transaction, an additional Portfolio Summary Underwriting Model must be submitted.

**3. Engagement Letters**

Submit engagement letter(s) with the applicable underwriter, placement agent, or bond purchaser stating the project name and their experience, including bond transaction history. The underwriter letter should also outline the bond structure and all steps required, including a timeline, for closing the financing on the project.

**4. Engagement Letter with Bond Counsel**

Submit an engagement letter with each attorney involved in the project, including the attorney’s bond transaction history, their resume, or qualifications.

### Capacity Documents

**1. Capacity Approval Letter(s)** *(KHC form)*

A copy of the capacity approval for each of the applicable development team member(s).

**2. Technical Assistance Certification Form** *(KHC form)*

If applicable. Required for any applicant who has not previously used KHC resources to construct or rehabilitate a rental project in the last three years, or for applicants as determined by KHC.

**3. Credit Review Documents**

Credit review documents are only required at the application stage if requesting KHC funds. It is not necessary to resubmit credit review documents that were previously submitted with a capacity application within the past six months.

**4. Owner and General Partner Entity Organizational Charts**

A full organizational chart must be submitted which shows the membership structure for the project owner and general partner entities.

**5. Co-Development Agreement**

Projects proposing a co-developer arrangement must submit a fully executed co-development agreement that, at a minimum, details the following:

- a. The term of the agreement;

- b. The specific roles and detailed responsibilities of each party;
- c. The percentage of developer fee each party will earn; and
- d. If a joint venture proposing eligibility for the nonprofit set-aside, a detailed description of how the co-developer will meet the material participation test and have meaningful engagement in the project for the 15-year compliance period.

## **6. Minority Business Enterprise (MBE) Documents**

Projects seeking to claim eligibility for the MBE Adjustment must submit the following documents:

- a. Copy of current MBE certification from the Kentucky Finance and Administration Cabinet
- b. Certificate of Existence from the Kentucky Secretary of State demonstrating that the MBE development entity has been in existence for at least one year;
- c. Supporting evidence of the past real estate development activities of the MBE entity, particularly as it relates to multifamily housing;
- d. If the MBE is acting as a co-developer:
  - i. An executed co-development agreement that meets the standards outlined above; and
  - ii. An activity log demonstrating the communication and coordination between the developer and co-developer regarding the proposed project for a minimum six-month period prior to application submission.

## **7. Management Company Risk Score**

All applicants must engage a management company for the proposed project that has a KHC Asset Management risk score of “pass,” “pass/watch,” or “special mention” (C or above) on 70% or more of their properties to support satisfactory management standards. Management companies must contact KHC by email at [assetmanagement2@kyhousing.org](mailto:assetmanagement2@kyhousing.org) no earlier than 60 days prior to the application submission deadline to obtain their risk score. A copy of the email from KHC containing the current risk score must be uploaded with the application.

## **General Documents**

### **1. Application Fee**

Evidence of electronic payment of the applicable application fee.

### **2. Market Analysis Review Fee**

Evidence of electronic payment of the market analysis review fee for each Housing Credit project submitted.

### **3. Initial Inspection/Site Review Fee**

An initial inspection fee must be submitted for each project site (property) involving the rehabilitation or adaptive reuse of an existing structure. For projects proposing new construction, a site review fee must be submitted for each project site.

**4. Scoring Workbook** (KHC form)  
(As applicable)

Upload an Excel version (not PDF) of the scoring workbook applicable to the current funding round completed with the developer's self-scores.

**5. Notification of Application for Funding** (KHC form)  
(Required for projects of 12 or more units)

Applicants must complete and submit the Notification of Application for Funding form. The form must identify the name and correct email address of the applicable current officeholders. A searchable database of Kentucky state legislators is available on the [Kentucky Legislative Research Commission's website](#).

**6. Nonprofit Questionnaire** (KHC form)  
(LIHTC projects only)

Must be completed by all nonprofits with any ownership interest in the development. The provision of affordable housing must be listed as one of the designated purposes in the Articles of Incorporation and/or Bylaws.

**7. Nonprofit Board Resolution**

Nonprofits with any ownership interest in the development must submit a resolution from the Board of Directors that authorizes:

- The application being made for specific KHC funding (e.g. Tax-Exempt Bonds, Housing Credits, HOME, AHTF, NHTF, 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 percentages of the developer fee the nonprofit will receive and the percentage going to other entity(ies).

**8. Consultant and/or Administrative Contract**

An executed copy of the contract with any consultant or administrator detailing the services provided, the consultant's role in the project, and compensation.

**9. Proof the Compliance Period Ended**

(Required for rehabilitation projects previously awarded Housing Credits)

A letter from KHC's Compliance Department, (with the original KY#), stating the initial compliance period ending date, a copy of the original 8609s indicating the buildings' placed-in-service dates, or a copy of the original LURA.

**10. Kentucky Intergovernmental Review Process**

Confirmation, including the SAI number, from the State Clearinghouse through the [Department for Local Government's online system](#) for any applicants requesting HOME, NHTF, Risk-Sharing funds, and/or new KHC project-based vouchers.

**11. Guideform Notice Disclosure to Seller** (KHC form)

For all projects with HOME, NHTF, Risk-Sharing, new project-based vouchers, or the transfer of an existing Section 8 HAP contract, a copy of the Guideform Notice Disclosure to Seller with Voluntary, Arm's Length Purchase Offer must be given to all sellers.

## **12. Guideform General Information Notice (GIN)**

All projects with current occupants requesting HOME, NHTF, Risk-Sharing, new project-based vouchers, or the transfer of an existing Section 8 HAP contract, must submit evidence that the Guideform General Information Notice (GIN) was given to all current occupants. Tenants who move in to the property after application submission to KHC must be given the Move-In Notice.

## **13. Community Revitalization Plan**

*For projects seeking points for new units in a QCT – urban only.*

Urban projects seeking points for creating new units in a QCT must submit a copy of the local jurisdiction's overall plan for revitalization, community development, and/or economic development, consistent with the requirements of the QAP. Local jurisdiction consolidated plans or action plans as required by HUD do not qualify. The section(s) of the plan that specifically identifies the community need for lease-purchase units or new multifamily units in an urban QCT must be clearly marked within the plan. The community revitalization plan must also:

- Be formally adopted by the jurisdiction and created or updated within the last 10 years;
- Be geographically specific;
- Identify goals for outcomes;
- Include a strategy to secure commitments to support non-housing infrastructure, amenities, and services; and
- Demonstrate the need for community revitalization, specifically new multifamily units in a QCT.

## **14. Community Revitalization Plan Certification** *(KHC form)*

*For projects seeking points for new units in a QCT – urban only.*

The certification must be completed for the community revitalization plan, providing detail of the plan area, funding sources, goals of the plan and how the proposed project supports the need for lease-purchase units or new multifamily units in an urban QCT.

## **15. Tenant Selection Plan Preferences**

All owners are required to include a preference for individuals on the local public housing authority (PHA) and KHC's Section 8 waiting lists, and a written statement must be submitted that the owner will notify the PHA and KHC of vacancies.

## **16. Letter of Service Commitment**

*(Required for projects serving populations with special needs)*

If applicable, each agency providing services for special needs housing, permanent supportive housing, and transitional housing must submit a letter on agency letterhead and signed by the executive director or their designee stating the agency's knowledge of and support for the specific project 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 services to project residents. A requirement to participate in these services cannot be a condition of the lease. This letter can be combined with the Letter of Referral Commitment.

## **17. Letter of Referral Commitment**

*(Required for projects serving populations with special needs)*

If applicable, each agency providing tenant referrals for special needs housing, permanent supportive housing, and transitional housing must submit a letter on agency letterhead and

signed by the executive director or their designee agreeing to make referrals with the agency's estimate of the annual number of referrals.

## **18. Supportive Housing Service Plan**

*(Required for projects serving populations with special needs)*

The service plan must contain the following information:

1. The supportive service needs of the targeted population and the experience of the service provider with providing these services to this special needs population. A description of the agency's ability to provide case management services.
2. An explanation of how the services provided meet the target population's service needs.
3. An explanation of how the services will be funded on an ongoing basis.

## **19. Evidence of No Substantial Rehabilitation**

As a threshold requirement, all rehabilitation projects must submit evidence that the proposed project has not received substantial rehabilitation within the past 25 years. For threshold purposes, substantial rehabilitation is defined in IRC Section 42 as \$7,400 per unit or 20% of adjusted basis. This evidence may be either:

- a. A copy of the last recorded restrictive covenant of record which restricts the use of the property to affordable rental housing executed at the time of the last substantial rehabilitation. In addition, a copy of a full title exam confirming such restrictive covenant is the most recent of record must be submitted.
- b. A letter from the provider of an existing project-based rental assistance contract, i.e. the HUD or RD which states whether there has been any substantial rehabilitation on the property within the last 25 years and if so, the date of the rehabilitation.

In either case, the number of years since the last substantial rehabilitation will be determined based upon the effective date of the most recent restrictive covenant as of the application due date, or the date identified in the letter from the rental assistance provider.

## **20. PolicyMap Report**

*(New Supply projects only)*

A copy of the [PolicyMap](#) report for each point category clearly identifying the project location within the applicable boundary and the numeric value or percentage result.

## **21. Census Tract Report**

*(New Supply projects only)*

A printout of the most recent full census tract report obtained from the [U.S. Census Bureau](#).

## **22. Distance From Projects Not Yet Placed In Service**

*(New Supply projects only)*

Applicants whose proposed project is located in a county wherein a previously-approved KHC project is under development and not yet placed in service (8609 has not been issued) and targets the same tenant populations as the applicant's proposed project must submit a copy of the Google Maps printout documenting the proposed project's distance, measured in radius, from the project(s) not yet placed in service. The projects under development and not yet placed in service are identified in the scoring workbook.

The market study must recognize the projects under development located in the same county and targeting the same population(s) as the proposed project and consider the impact of those units under development on the marketability of the proposed project. Subsequent phases of a phased-in development will be permitted provided the market study recognizes the earlier phases and the impact of the proposed project.

## Underwriting Documents

### 1. **Underwriting Model** *(KHC form)*

The most current version of KHC's underwriting model completed in Excel. 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 additional information that will be helpful during the underwriting review.

### 2. **Developer Underwriting Guidance Checklist** *(KHC form)*

*(For developers who have not had a KHC multifamily project in the last 3 years)*

Submit a completed copy of KHC's underwriting guidance checklist to ensure that new developers have considered most of the major underwriting factors that will be reviewed by KHC.

### 3. **Novogradac Rent and Income Calculator**

Print and submit the completed [Novogradac Rent and Income Calculator](#). To obtain the applicable limits for the Tax-Exempt Bond program, applicants should select "IRS Section 142 Tax-Exempt Bond" and change the imputed persons per bedroom to 1.5 persons.

### 4. **Utility Allowance Chart** *(KHC form or local document)*

The current utility allowance chart from KHC or the local PHA (in counties where KHC does not administer Section 8). Projects with Project-Based Section 8 or RD-assisted properties must submit the current utility allowance from the agency providing the rental assistance. Historical utility usage data or base rate letters from the utility providers are not acceptable. Applicants wishing to use a utility study in lieu of a utility allowance chart at the application stage must submit a pre-application waiver.

### 5. **Market Study / Needs Analysis**

KHC maintains an [Approved Market Analyst List](#) from which developers must select an appropriate firm or individual. All projects (or each property in a portfolio transaction) must submit a market study.

A market study/needs analysis is only valid for **six months** from the date of the study/analysis. All market studies must adhere to [KHC's market study requirements](#).

KHC may request a market study or additional market information on any project or waive the market analysis requirement for projects of four units or less if other supporting documentation, such as a waiting list, can be submitted.

### 6. **Part 1, Evaluation of National Register Status**

Projects proposing federal or state historic rehabilitation credit must submit a copy of the completed Part 1 of the preliminary application, "Evaluation of National Register Status" for both the Federal and State Historic Credits as evidence of submission to the [State Historic Preservation Office \(SHPO\)](#) and/or National Park Service.

## **7. Current Approved Rent Schedule**

Rehabilitation projects currently receiving any type of Project-Based Rental Assistance must submit the current approved rent schedule identifying the effective dates of the rents, and agency providing the assistance. If the rents listed on the underwriting model are different from those in the rent schedule, the Applicant must submit an explanation and justification and a letter from the rental assistance provider that the proposed rents are acceptable.

## **8. Project-Based Rental Assistance Agreement or Commitment Letter**

Projects proposing existing Project-Based Section 8, RD, or other project-based rental assistance must submit a copy of the original rental assistance contract or agreement and the most recent renewal currently in effect, if applicable. Projects proposing new project-based rental assistance must submit a copy of the commitment letter from the rental assistance provider identifying the proposed contract rents and utility allowances. The contract, agreement, or commitment letter must specify the number of rent-assisted units.

## **9. Operating Subsidy Agreement or Commitment Letter(s)**

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.

## **10. Commitment Letters for HOME Match**

All projects requesting HOME funds must have written commitments of HOME-eligible matching funds of at least 5% of the HOME request. Commitment letters must meet the standards identified in the [Application Thresholds](#).

## **11. Firm Commitments for All Non-KHC Resources**

Refer to the [Application Thresholds](#) section for requirements for firm commitment letters.

## **12. Guarantor's Evidence for Non-Committed Non-KHC Funds**

KHC will accept evidence of an application for non-KHC resources with a written guarantee from the owner/developer that if the funds for which they have applied are not awarded, the owner/developer will contribute the same amount to the project. A bank statement will be required if a guarantor provides a guaranty for non-KHC funding that it 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.

## **Legal Review Documents**

### **1. Evidence of Site Control**

Applicants must have site control on 100 percent of the project sites, including scattered sites. Site control documents 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 – can be in the name of the project ownership entity or general partner (or member of the general partner) of the to-be-formed ownership entity.

- Current Purchase Contract – The contract must be valid through the announcement period of the calendar year in which KHC resources would be awarded. If at any point the contract is determined to be at risk of expiring prior to closing, KHC may require supplemental proof that the property can be purchased prior to closing. Applicant must be able to prove that Applicant has the ability to purchase the property at all times until closing. The contract cannot contain seller’s right of first refusal language.
- Current Option to Purchase – The option to purchase must be valid through the announcement period of the calendar year in which KHC resources would be awarded. If at any point the option is determined to be at risk of expiring prior to closing, KHC may require supplemental proof that the option has been extended or that the property can be purchased prior to closing. Applicant must be able to prove that Applicant has the ability to purchase the property at all times until closing. The option cannot contain seller’s right of first refusal language.
- Current Lease Agreement/Option to Lease – the lease period must be through the entire applicable affordability period.

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

## **2. Deed Restrictions/Subdivision Restrictions**

Submit a copy of any deed restrictions or subdivision restrictions currently on the property or a letter from the seller, city/county official, or title attorney stating there are no restrictions.

## **Design and Construction Documents**

### **1. Location Map**

A location map for every project showing the site location and all major streets and highways, nearby airports, railroad tracks, interstates, and rivers 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), or metropolitan Difficult Development Area (DDA), if applicable.

### **2. Preliminary Plans**

As required in [Chapter 8: Design and Construction Review](#). Building plans must:

- Be uploaded as one single PDF document.
- Show the number of units.
- Be at 1/8-inch scale and typical unit plans at 1/4-inch scale.
- Include a site plan and a building floor plan, as well as corresponding elevation drawings.
- Plans for projects of 12 or more units must be compiled by an architect licensed in Kentucky.

For scattered site projects, the site plans must reflect all sites and complete preliminary plans for each applicable unit type.

### **3. Work Write-Up Description**

*(Required for all rehabilitation 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.

### **4. Site Plan**

As required in [Chapter 8: Design and Construction Review](#).

### **5. Floodplain Map**

Submit one of the following demonstrating compliance with the applicable requirements:

- a. A Federal Emergency Management Agency (FEMA) map showing that project structures and other essential portions of the site are not located in the floodplain and structure locations are clearly marked on the map.
  - Projects in which any portion of the property is located in the floodplain must additionally submit a signed, stamped, and dated survey certified to KHC showing the location of the floodplain and all existing building structures.
  - Information or maps generated from a local jurisdiction database or similar alternative is insufficient.
- b. A licensed surveyor's report of reclassification and FEMA Letter of Map Alteration if the property was previously in a floodplain but has been built up and now all land to be utilized for project structures is at least one foot above the floodplain.

### **6. Lead-Based Paint Determination Form** *(KHC form)*

Rehabilitation and adaptive reuse projects with buildings built prior to 1978 must complete the Lead-Based Paint Determination form. The underwriting model must budget for any anticipated expenditures related to lead-based paint assessment, abatement, and/or clearance.

### **7. Physical/Capital Needs Assessment (PCNA)**

*(Required for all rehabilitation projects of 12 or more units and adaptive reuse projects)*

As required in [Chapter 8: Design and Construction Review](#).

KHC may accept a resubmitted PCNA from projects that were unsuccessful in the most recent previous funding round. If funded, the PCNA must be updated at technical submission.

### **8. Capital Reserve Replacement Schedule (CRRS)** *(KHC form)*

Applications proposing rehabilitation or adaptive reuse must submit a CRRS that:

- Uses KHC's current version of the "Capital Reserve Replacement Schedule."
- Identifies the preparer's name, company name, qualifications, professional license number, and the state in which the license was issued.
- Lists individual sets of major components that are anticipated to require replacement using the reserve account during the projection term.
- Utilizes the most recent version of the [Fannie Mae Form 4099 Appendix F: Expected Useful Life \(EUL\) Tables](#) when inputting the EUL into the projection.
- Is no more than one year old.

## **9. Proof of Proper Zoning**

Evidence that the proposed site is properly zoned for the proposed intended use.

- A letter from the local zoning board or governing authority indicating the type of zoning in place, or a letter from the county judge or mayor indicating that no zoning is present.
- All zoning requirements and/or restrictions that affect the design or building location.
- A local zoning map showing the proposed site, its classification, and neighboring sites.

If the property is not currently zoned appropriately, the applicant may submit evidence of having submitted a rezoning application. Confirmation the proposed project is allowed must be submitted no later than the technical submission deadline.

### Underwriting Documents

**1. Updated Underwriting Model (KHC form)**

An Excel version of the project's updated underwriting model, using the version returned to the applicant after funding announcements, which must reflect and document any changes to the terms of non-KHC funding or financial projections (sources of funds, construction costs, rents, annual expenses, etc.) since the initial application submission, with responses to comments or issues identified by KHC.

**2. Updated Firm Equity Commitment**

The signed and dated firm equity commitment currently in effect, identifying the project name, credit pricing, amount of annual credit anticipated, total equity investment, pay-in schedule, required fees, reserve account requirements, and income set-aside election. It must also recognize a KHC bridge loan, if applicable, and state the benefit of the delayed equity pay-in.

**3. Firm Commitment Letters for Match and Other Non-KHC Funding Sources**

Required only if original funding commitments submitted with the application have changed or expired. If not previously submitted with the application, commitments from RD or HUD loan financing must be submitted to KHC as soon as they are available. Applications for HUD resources must complete the pre-approval application process within the original technical submission deadline. Refer to the [Thresholds for All Projects](#) for commitment letter requirements.

**4. Appraisal**

An appraisal is required on projects/properties where KHC's total loan amount is \$250,000 or more or for projects requesting Housing Credit for acquisition. KHC may request an appraisal on any project utilizing KHC funds. Appraisals may not be more than one year old as of the date of technical submission.

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](#).

Appraisals for Housing Credit projects not requesting KHC loan funds but requesting acquisition credit must provide a separate value for the land and KHC must be named as an intended user. These appraisals do not need to meet KHC's appraisal guidelines for formatting and are not required to be ordered from a KHC-approved appraiser.

**5. Baseline Active Partners Performance System (APPS) or HUD Previous Participation Certification (HUD-2530) Completed**

*(Required for Risk-Sharing projects)*

Submit proof of completion of the [Baseline APPS](#) or the completed [HUD-2530 form](#).

**6. Identification and Certification of Eligible Limited Liability Investors (KHC form)**

*(Required for Risk-Sharing projects)*

The certification form must be completed by the equity investor and/or syndicator.

## Design and Construction Documents

### 1. **Proof of Proper Zoning**

If the project site was not properly zoned at the time of application submission, the applicant must submit evidence that it is properly zoned as of the technical submission deadline.

### 2. **Owner and Architect Agreement**

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

The architect's documents must 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 NSPIRE standards.

- The architect and owner must submit an executed copy of their agreement using the most recent and up-to-date AIA documents.
- The most commonly used agreement is the lump sum contract, which is B101 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 contract amount.

### 3. **Construction Plans – Permit Set**

Refer to [Chapter 8: Design and Construction Review](#) for more information.

### 4. **Specifications / Work Write-Up – Permit Set**

Refer to [Chapter 8: Design and Construction Review](#) for more information.

### 5. **REScheck/COMcheck Documentation**

Applicants for new construction and adaptive reuse projects must submit a [REScheck](#) or [COMcheck](#) calculation indicating the proposed design exceeds the 2012 International Energy Conservation Code. For rehabilitation only projects, the architect or developer must submit documentation explaining how the design of the development will provide the most efficient insulation and heating system.

### 6. **Certification of Accessibility** *(KHC form)*

The project architect, general contractor, and project owner must certify that the project design complies with all applicable accessibility requirements of the Fair Housing Act of 1988, KHC Minimum and Universal Design Standards, Uniform Federal Accessibility Standards, Section 504 of the Rehabilitation Act of 1973, 2010 Americans with Disabilities Act Accessibility Guidelines, and any other applicable state or local code.

### 7. **EPA Lead Compliance Certification** *(KHC form)*

Applicants proposing the rehabilitation or adaptive reuse of buildings constructed prior to 1978 must submit the EPA Lead Compliance Certification form to comply with the Renovation, Repair and Painting (RRP) Rule.

### 8. **Utility Letter(s)**

Letters from the local utility companies indicating the availability and capacity of utilities to the proposed site for any project with newly constructed units. The development budget must include

all connection and tap fees and/or relocation cost, if any. If off-site utilities are being brought to the site by local municipalities, the letter must include the dates the work will begin and be completed, the anticipated cost, and evidence the local municipality will bear the cost. If the developer is extending the utilities to the site, either the utility extension must be completed before accessing KHC funds or the funds must be placed in escrow.

## **9. Subsurface Soils Investigation Report**

For any project with newly constructed units, a report from a soils engineer, including a site plan with the soil boring locations (in building footprints), testing results, footing designs, and recommendations.

## **Environmental Review Documents**

If applicable, items 1–7 below must be provided to the project’s environmental review contractor immediately upon receipt, even if prior to submitting the rest of the Technical Submission items. An approved Environmental Review Record (ERR) must be in HEROS and approved by KHC and/or HUD no later than the pre-closing stage. Refer to KHC’s [Multifamily Guidance on Environmental Reviews](#) for more information.

### **1. Lead-Based Paint Inspection and Assessment – OR – Proof of Abatement**

Projects built prior to 1978 must submit the lead-based paint inspection and assessment conducted by a certified lead hazard inspector. Submit proof of any prior abatement.

### **2. A-95 Clearinghouse Letter**

If applicable, (HOME, NHTF, and/or Risk-Sharing), applicants must submit the Clearinghouse letter provided by the Kentucky Department for Local Government (DLG) stating the project has received clearance to move forward with the environmental review.

### **3. Historic Preservation Clearance Letter**

Applicants proposing rehabilitation of historic properties must obtain a historic preservation clearance letter from the Kentucky Heritage Council’s State Historic Preservation Office (SHPO).

Owners of federally-funded projects must contact SHPO regarding Section 106 requirements if comments have been included 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 an area that is, or is eligible to be, recognized as a Historic District.

### **4. Part 2, Description of Rehabilitation**

If applicable, submit a copy of the completed and approved Part 2, “Description of Rehabilitation” application for both the Federal and State Historic Credits as evidence of submission to SHPO and/or National Park Service.

### **5. Phase I Environmental Site Assessment**

A Phase I Environmental Site Assessment, (including documentation of all sources, records, and resources utilized) for all new construction projects consisting of more than four units with HOME, NHTF, Risk-Sharing, and/or Project-Based Section 8 as any portion of funding. KHC also may request a Phase I on any project.

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 must be prepared in accordance with the standards set forth in ASTM E1527 and ASTM E1528.

## **6. Phase II Environmental Assessment**

The Phase I will indicate if a Phase II environmental assessment is required.

## **7. Archeological Survey**

If required as part of the SHPO review.

## **Legal Review Documents**

### **1. Tenant Selection Plan**

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 require tenants and management to comply with Uniform Residential Landlord Tenant Act (URLTA) (refer to [Chapter 7: Program Policies](#)) and the process for notifying the local PHA and KHC of vacancies to give priority to households on their respective waiting lists, as well as any tenant selection preferences for which the applicant received points.

### **2. Tenant Lease with KHC Lease Addendums (KHC form)**

A sample of the lease between tenants and the owner with applicable KHC addendum(s). Owners must obtain any required federal approval for use of the KHC addendums beforehand. If the provision of services is part of the program design, tenant participation in those services cannot be a condition of residency nor grounds for denial to lease or eviction from the project.

### **3. Relocation Plan**

Required 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 KHC HOME, NHTF, Risk-Sharing, or newly issued project-based vouchers are required to follow the Uniform Relocation Act (URA). Projects receiving federal assistance from a local jurisdiction must submit approval of the relocation plan by the local jurisdiction. Other projects must follow the requirements in [Chapter 7: Program Policies](#).

### **4. Guideform Notice of Nondisplacement**

*(Required for rehabilitation projects with current tenants in conjunction with HOME, NHTF, Risk-Sharing, new project-based vouchers, or the transfer of an existing Section 8 HAP contract)*

This relocation notice must be provided to tenants of properties rehabilitated in conjunction with federal funds. The purpose of this notice is to inform tenants they will not be required to move permanently as a result of the rehabilitation. Tenants who move into the property after submission of the application to KHC must be provided with the Move-In Notice. All relocation notices must have documentation of proof of receipt by the tenants which must be submitted to KHC and maintained in the tenant file.

## 5. **VAWA Emergency Transfer Plan**

Owners and management companies must develop an Emergency Transfer Plan, compliant with the requirements of 24 CFR 5.2005(e), that provides tenants who are victims of domestic violence, dating violence, sexual assault, or stalking the ability to request an emergency transfer to another unit.

HUD has developed a model Emergency Transfer Plan (HUD-5381), which property managers may adapt for their use. The HUD sample form is available on their [website](#). Refer to [Chapter 7: Program Policies](#), for more information about protections and notices required under the Violence Against Women Act (VAWA).

## 6. **Affirmative Fair Housing Marketing (AFHM) Plan** *(KHC form)* *(Federal funds only, five units or more)*

Owners and management companies are 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. The AFHM plan must describe the activities during advance marketing and the initial rent-up period. The AFHM plan should 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.

## 7. **Fair Housing Plan** *(Federal funds only)*

Owners requesting federal funds must submit a fair housing plan that ensures 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 website, [www.kyhousing.org](http://www.kyhousing.org).

## 8. **Title VI Self-Survey and Statement of Assurance** *(KHC form)* *(Federal funds only)*

Title VI of the Civil Rights Act of 1964 prohibits discrimination based on race, color, or national origin. Owners requesting federal funds must submit a Title VI Self-Survey and Statement of Assurance.

## 9. **Section 504 Self-Evaluation** *(KHC form)* *(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 property, 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, and complaint processing procedures must be prepared by the recipient. A person with disabilities or a representative from an agency that serves persons with disabilities must assist the applicant in completing the self-evaluation.

A transition plan is mandatory if structural changes are needed to achieve program accessibility. The plan must be developed with the assistance of individuals with disabilities or organizations representing them. The plan should identify the physical obstacles that limit accessibility,

including a detailed description of methods used to make facilities accessible and the schedule for completion. All structural changes must be made within six months of project funding.

#### **10. ALTA Survey (Draft)**

*(Required for all projects with KHC loans)*

The survey must be certified to KHC, stamped, sealed, signed (by a surveyor licensed in Kentucky), and dated no more than 60 days from the date of submission. All surveys must meet the [2021 Minimum Standard Detail Requirements for ALTA Surveys](#) and include the indicated items on Table A.

- Metes and bounds at a preferred scale of 1-inch equals 20 feet but no smaller than 1-inch equals 40 feet.
- For projects utilizing previously platted properties on record, a legal description referencing the recorded plat. A copy of the plat recording must also be submitted.
- For properties not previously platted, a metes and bounds legal description of the property line. All easements and rights-of-way must have the metes and bounds in the description.
- HOME, NHTF, and Risk-Sharing projects must include a metes and bounds legal description.
- All rights-of-way and easements must be indicated and should have a metes and bounds description and a north arrow.
- All roads, encroachments, setback requirements, and natural drainage ways.
- The 100-year flood boundary, any other floodways, and a written flood zone determination.
- All parking, streets, walks, curbs, dumpster pads, playground areas, etc.

#### **11. Title Commitment (Draft)**

*(Required for all projects with KHC loans)*

A separate title commitment for each KHC loan must be submitted. KHC will communicate with the title insurance company to ensure the title policy exceptions, endorsements, and descriptions are agreed upon. A revised title commitment or proforma policy with the agreed upon terms must be submitted at pre-closing and dated no more than 30 days prior to the closing date.

### **General Documents**

#### **1. Drug-Free Workplace Certification (KHC form)**

The Drug-Free Workplace Certification form certifies the project will provide a drug-free workplace.

#### **2. Tax Attorney Opinion Letter indicating eligibility for acquisition credit**

*(Required for Housing Credit rehabilitation projects requesting acquisition credit)*

The owner's tax attorney must submit a letter that the project is eligible for acquisition credits.

#### **3. Internal Revenue Service waiver for troubled projects**

*(Required for Housing Credit projects – if applicable)*

Existing projects designated as a "troubled project" by HUD or RD may request a waiver from the IRS to the ten-year holding period requirement. A copy of this waiver must be submitted to KHC.

4. **Authorized Signature Form** (KHC form)  
(Required for all projects with KHC loans)

This form authorizes members of the ownership entity to submit draw requests to KHC. At least two different signatures are required; one person who will submit the draw request and another person who signs the check disbursing the funds. The same person may not submit the draw and sign for the disbursement of funds. The signature form must be signed by the top official of the organization (board chair, CEO, mayor, etc.) verifying that the signatories are authorized.

5. **Site and Neighborhood Standards Questionnaire** (KHC form)  
(HOME and NHTF new construction projects only)

Recipients of HOME and/or NHTF funds must provide 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.

6. **Permanent Housing Plan**  
(Required for all transitional housing projects, non-credit only)

The plan must detail how tenants will progress from transitional to 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.

7. **Tenant Ownership Plan**  
(Required for all lease-purchase projects)

The tenant ownership plan must demonstrate a viable homeownership strategy for residents to purchase the units at the end of the 15-year compliance period, detail the applicant's exit strategy and calculation of the estimated affordable purchase price for the unit, describe the pre-purchase counseling, show how the property will be managed during the compliance period, and explain how the tenant's down payment and closing cost obligations will be handled.

## *Housing Credit Carryover Stage*

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### **1. Owner/Recipient Information**

- 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).

### **2. Partnership Agreement and Certificate of Limited Partnership**

The Partnership Agreement governs relations 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.

### **3. Estimated project cost breakdown by building**

A breakdown of the estimated cost of each building.

### **4. Owner certification of federal, state, or local loans and/or grants (KHC form)**

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. KHC will consider, among other things, the amount of subsidy the project is receiving.

### **5. Evidence of meeting the 10% test or written extension request**

Housing Credit projects must place in service by the end of the calendar year the credits were allocated **or** must submit a carryover request. If the project will not place in service before the end of the allocation calendar year, the owner must submit evidence of having incurred more than 10% of the total project cost **or** submit a written carryover request for an additional 12 months.

## Pre-Closing/Pre-Construction Stage

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### Underwriting

#### 1. **Final Underwriting Model**

The project's final underwriting model must reflect all resolution of KHC underwriting comments and the final projections for sources and uses, income, expenses, and the operating proforma. All KHC underwriting comments must be resolved and the final model must conform to the terms and underwriting assumptions of the final limited partnership agreement or operating agreement, all other non-KHC funding commitments, and any rental assistance and/or operating subsidy agreements.

#### 2. **Final Draft Limited Partnership Agreement or Operating Agreement**

*(Housing Credit projects only)*

KHC will not issue a final credit reservation letter without having first reviewed the final draft of the limited partnership agreement and all referenced exhibits and/or attachments, including the equity provider's financial projections, which must be in agreement with KHC's final underwriting model.

#### 3. **Agreement to Enter Into a HAP Contract (AHAP)**

Projects proposing new project-based voucher rental assistance must submit an executed copy of the Agreement to Enter Into a Housing Assistance Payments (AHAP) contract between the owner and the public housing agency (PHA) providing the project-based vouchers. This includes the termination of an existing HAP contract and execution of a new contract with the project owner. If KHC is performing a subsidy layering review (SLR) on behalf of the PHA, the executed AHAP may be submitted after KHC has transmitted the SLR to HUD, but prior to the closing.

#### 4. **Operating Deficit/Replacement Reserve/Tax & Insurance Escrow Certification**

*(KHC form)*

All applicants must certify that Operating Deficit Reserve, Reserve for Replacement and tax and insurance escrow accounts have been or will be established, state the amount of the accounts, and identify the financial institution where the accounts will be held.

### General

#### 1. **Electronic Funds Transfer/Wiring Authorization Form** *(KHC form)*

Electronic Funds Transfer (EFT) authorizations are required if KHC funds will be drawn during construction. To receive funds electronically, the project owner must request an EFT/wire transfer form from KHC's Accounting Department at [accountspayable@kyhousing.org](mailto:accountspayable@kyhousing.org). KHC will mail forms upon request. All forms must be original.

The financial institution must complete its information, and a voided check must be attached. Applicants requesting more than one funding source from KHC who wish to have the funds deposited into different accounts must complete separate EFT/Wiring Authorization forms for each account.

A scanned copy of the completed EFT/Wiring Authorization form must be submitted at the pre-closing stage.

## **2. Owner's Employer Identification Number (EIN)**

Evidence of the ownership entity's employer identification number issued by the IRS.

## **3. Owner's Unique Entity Identifier (UEI) Number and Proof of Registration**

Owners with HOME, HOME-ARP, NHTF, or Risk-Sharing loans must submit a current Unique Entity Identifier (UEI) number from the U.S. General Services Administration (GSA) in the System for Award Management ([SAM.gov](https://sam.gov)).

## **Legal**

### **1. Organizational Documents**

Copies of the organizational documents and any amendments if the owner/borrower is a newly formed entity and has not previously submitted organizational documents or has amended its organizational documents after their initial submission. Refer to the Organizational and Credit Review Documents section in [Chapter 2](#) for the required documentation.

### **2. Incumbency and Signatory Certificate or Resolution of Authorized Signatories**

*(Required for all projects with KHC loans)*

This document is required to confirm the identities, titles, and authority of the signing officers of the borrowing entity to execute all necessary legal documents.

### **3. Title Commitment and Insured Closing Letter**

*(Required for all projects with KHC loans)*

A revised title commitment or proforma policy (the latter for multiple funding sources) dated no more than 30 days prior to the closing date for each funding source and an Insured Closing Letter and proforma policy issued by the title insurance company in KHC's favor if KHC funds will be disbursed at closing.

### **4. Final ALTA Survey**

*(Required for all projects with KHC loans)*

KHC must receive an electronic copy of the final ALTA survey no later than 30 days prior to closing and include any updates or project site changes as requested, as signed off on by the surveyor. The survey must be certified to KHC, stamped, sealed, and signed by the licensed surveyor. The fieldwork must be dated within 6 months of closing and the survey dated no more than 60 days from the date of closing.

### **5. Surveyor's Report**

*(Required for projects utilizing Risk-Sharing)*

A completed surveyor's report [HUD Form 92457](#), signed and stamped by a licensed surveyor in Kentucky, and dated within 30 days of closing.

### **6. Verification of Site Control**

*(Required for all projects with KHC loans)*

Proof the borrower still maintains site control of the property, as evidenced by either a copy of the recorded deed or the executed lease (and any amendments).

## Documents Required Prior to the Start of Construction

All required documents must be reviewed and approved prior to construction start.

### 1. **Final Construction Plans**

Refer to [Chapter 8: Design and Construction Review](#) for more information about KHC's final building plan requirements.

### 2. **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)*

Refer to [Chapter 8: Design and Construction Review](#) for more information.

### 3. **Owner and Contractor Agreement**

The Owner/Contractor agreement can be executed once the final cost is determined. The agreement may be either the AIA document or HUD's Construction Contract Form and must be signed and dated by the contractor and the owner. The contract must be completely filled out for final review and include the following:

- The contract amount, which must match the total cost on the final cost breakdown as well as the hard costs shown on KHC's underwriting model. Cost contingencies may not be included.
- The dates the construction should begin and be completed.
- Any liquidated damages and the amount per day.
- Reference the plans, specifications, and any addendums that have been issued. The dates/versions listed must match the final plans and specifications approved by KHC.
- Davis-Bacon Wage Rate clause (if applicable).
- Section 3 clause (if applicable).

### 4. **Assurance of Completion**

An assurance of completion will not be required if KHC funds are less than \$100,000 or disbursed at project completion. KHC will determine the adequacy and sufficiency of assurance of completion which must be in one of three forms:

- a) Payment/Performance bond (AIA document A-312 or the HUD Form 92452) equal to or greater than 100% of the total construction contract amount. Bonds must be issued by an insurance company licensed in Kentucky, signed by an authorized representative of the insurance company, and name KHC as an additional insured on the bond. Payment and performance bonds are required if KHC is providing a bridge or construction loan, or for Risk-Sharing loans in which insured advances are provided.
- b) Irrevocable On-Sight Demand Letter of Credit equal to or greater than 30% of the total amount of KHC funds. The letter of credit must be valid for the duration of the construction period. If it expires prior to construction completion, a new letter of credit must be submitted extending the term. 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.
- c) Cash deposited with KHC equal to or greater than 30% of the total KHC funds.

## **5. Evidence of Proper Insurance**

*(Required for all projects with KHC loans)*

The contractor must submit evidence of worker's compensation, builder's risk, and general liability insurance, which must be in effect during the length of the contract. An insurance company binder is not sufficient. KHC must be listed as the primary additional insured on all builder's risk and general liability insurance certificates when KHC has provided a loan.

## **6. Building Permit**

A building permit is required before construction can begin. If the local jurisdiction does not require a building permit, the mayor or county judge executive must submit a letter of verification.

## **7. Approval Letter from Department of Housing, Buildings, and Construction (HBC)**

If the local jurisdiction does not issue building permits the Kentucky Department of Housing, Buildings, and Construction must issue a letter authorizing the start of construction.

## **8. Construction Inspection Fee**

Evidence of online payment of the one-time construction inspection fee of 1.75% of the annual Housing Credit allocation amount.

## **9. Final Cost Breakdown**

A final cost breakdown must indicate the amount planned for each line item during construction, excluding soft costs. The final cost breakdown must match the total hard costs on the KHC underwriting model. The cost breakdown can be one of the following:

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

Owners also must enter the construction costs from the final cost breakdown into the UFA system under the "other actions" dropdown menu.

## **10. Construction Schedule**

The construction schedule must outline the anticipated completion benchmarks and targeted placed-in-service date. Benchmarks should be measured in terms of weeks/months from the date of the loan and/or equity closing (e.g., 25% completion within 3 months of loan closing, placed-in-service within 12 months of loan closing, etc.).

## **11. Davis-Bacon Wage Rate Request** *(KHC form)*

KHC is the responsible entity for ensuring compliance with Davis-Bacon wage rates for the following project types:

- KHC HOME-funded projects of 12 or more HOME-assisted units
- Projects utilizing Risk-Sharing construction financing on 12 or more 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

When a local public housing authority (PHA) issues 9 or more project-based Section 8 vouchers to a project, the PHA is the responsible entity for monitoring to ensure that prevailing Davis-Bacon wage rates are adhered to and reported. See [Federal Register Vol. 79, No. 122](#) for more information.

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 is located on KHC's website, [www.kyhousing.org](http://www.kyhousing.org).

**12. Pre-Construction Conference Form** (*KHC form*)

At the pre-construction conference, the developer submits the KHC Pre-Construction Conference form signed by the developer, contractor, site superintendent, the developer's representative responsible for submitting draw requests (if applicable), and the KHC construction specialist.

**13. KHC Project Review Agreement** (*KHC form*)

All applicants are required to sign the Project Review Agreement, which outlines the applicant's and KHC's roles and responsibilities throughout the inspection process.

## *Closing and Construction Stage*

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### **Post-Closing Document Submission**

In addition to the document deliveries noted above, the following documents must be uploaded to the Universal Funding Application (UFA) system within two weeks of the closing:

**1. Copy of Deed or Lease**

A copy of the executed and recorded deed or executed property lease (as applicable). If the property will transfer ownership, the deed must show the transfer and be executed and recorded.

**2. Executed Limited Partnership Agreement or Operating Agreement**

A copy of the fully executed limited partnership agreement or operating agreement.

## Construction Completion/Placed In Service Stage

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Owners must submit the following items after completion for KHC to release any retainage and/or issue the IRS Form(s) 8609.

**1. Final As-Built Survey**

*(Required for Risk-Sharing projects)*

A survey prepared by a surveyor licensed in Kentucky showing all conditions as they exist after construction is completed, all utilities, easements, rights-of-way, and setbacks. The survey must have the surveyor's signature, stamp, and seal, and be dated within 120 days.

**2. Certificate of Substantial Completion, Application and Certification for Payment, and Continuation Sheet**

A Certificate of Substantial Completion (AIA G704) and executed copies of the final Application and Certificate for Payment (AIA G702) and Continuation Sheet (AIA G703), which breaks the contract sum into portions of work in accordance with a schedule of values utilizing CSI format.

**3. Certificate of Occupancy**

Either a Certificate of Occupancy from the local jurisdiction for each building in the project or a letter from the Kentucky Department of Housing, Buildings, and Construction.

**4. Termite Certificate**

New Construction projects must submit a termite certificate utilizing [HUD Forms NPMA-99-A and NPMA-99-B](#) issued by a licensed pest control company showing the building(s) and surrounding foundation(s) were treated to prevent termite infestation.

**5. Termite Inspection Report**

Rehabilitation and adaptive reuse projects must submit a termite inspection report utilizing [HUD Form NPMA-33](#) from a licensed pest control company must be submitted as evidence the building(s) were inspected for the presence of termites, and if found, that the building(s) were treated for termite infestation.

**6. Proof of Lead-Based Paint Abatement and Clearance**

Projects built prior to 1978 and funded with HOME, NHTF, Risk-Sharing or Project-Based Section 8 must submit a copy of the Certificate of Clearance provided by the abatement company showing the presence of lead has been remediated.

**7. Project Completion Report (PCR) *(KHC form)*  
*(Required for projects funded with HOME and/or NHTF)***

The total activity cost must match the total project cost on the Final Funds Expenditure Statement. If all HOME/NHTF units have not been leased up at submission, the PCR must be resubmitted until all HOME/NHTF units have been leased.

**8. Final Funds Expenditure Statement *(KHC form)*  
*(Required for projects funded with HOME and/or NHTF)***

The total project cost must match the total activity cost on the PCR. If two different funding sources are used for one line item, break out the amount allocated to each.

**9. Section 3 Report** (KHC form)  
(Required for projects funded with HOME, NHTF, and/or Risk-Sharing)

Section 3 reporting is required annually during construction and at project completion. All contracts and subcontracts for projects with combined HUD assistance of \$200,000 or more must contain a clause regarding the Section 3 requirement.

**10. MBE/WBE Report** (KHC form)  
(Required for projects funded with HOME, NHTF, and/or Risk-Sharing)

The MBE/WBE report identifies 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 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 the associated amount awarded to contractors and subcontractors.

**11. Equal Employment Opportunities Commission (EEOC) Certificate** (KHC form)  
(Required for projects with no KHC HOME, NHTF, and/or Risk-Sharing funds)

The EEOC certificate is completed the same way as the MBE/WBE report above but is only applicable to projects receiving no federal funds from KHC.

**12. Copy of Most Recent Property Tax Bill**  
(Required if KHC will be escrowing for taxes)

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

**13. Final Property Insurance Declaration Page**  
(Required if KHC will be escrowing for 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. KHC must be listed as an additional insured on the policy. Owners may remove construction insurance from the property once construction is complete and the property insurance is in place.

**14. Copy of Management Contract**

A copy of the management contract between the owner and the management company.

**15. Operating Deficit Reserve/Reserve for Replacement/Tax and Insurance Escrow Certification** (KHC form)

Owners must submit either the certification if not submitted at the pre-closing stage or an updated copy if it has changed. All applicants must certify that Operating Deficit Reserve and Reserve for Replacement accounts have been established and identify the banking institution and amount of the reserve accounts. Owners must also identify where the tax and insurance escrow accounts will be held.

**16. Final Cost Certification**

*(Required for projects utilizing Risk-Sharing or NHTF)*

A cost certification of all development costs, including a cost breakdown by building and a sources and uses of funds statement prepared by an independent Certified Public Accounting firm. Construction hard costs must be based on a schedule of values using CSI format. NHTF regulations require that KHC receive the cost certification no later than 120 days from the date of the final draw. Housing Credit projects will submit this document at the LURA/8609 stage.

Owners must also enter the construction cost breakdown from the final cost certification into the UFA system.

**17. Building Addresses for All Buildings**

The exact street address, city, and zip code is required for each building.

**18. Marketing Quality Photos of the Property**

Including:

- property signage,
- building exteriors,
- amenities,
- common space, and
- interior of a typical unit(s)

KHC may use these photos in reports, promotional materials, or other documents; therefore, it is important that the quality of these photos be suitable for these purposes.

**19. AHTF/SMAL Close Out Form *(KHC form)***

Verify the total amounts of AHTF and/or SMAL funds expended.

**20. Executed Housing Assistance Payments (HAP) Contract**

For projects proposing new project-based voucher rental assistance, a copy of the fully executed HAP contract must be submitted. This includes the termination of any existing HAP contract for project-based vouchers and execution of a new contract between the public housing agency and the project owner.

## Land Use Restriction and 8609 Stage

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The following documentation is required at the LURA/8609 stage.

### **1. Final Cost Certifications (Owner and Contractor)**

A cost certification of all development costs, including a cost breakdown by building and a sources and uses of funds statement prepared by an independent Certified Public Accounting firm. All costs must be separated between land, syndication activities, and project depreciable costs. Construction hard costs must be based on a schedule of values using CSI format. All cost certifications must be prepared in accordance with KHC's [Cost Certification Guidelines](#). Cost certifications should not be dated prior to KHC's final 100% construction inspection and submission of the construction completion/placed-in service stage in UFA.

Applicants/owners also must enter the construction cost breakdown from the final cost estimate into the UFA system.

### **2. Building Information Grid** *(KHC form)*

The building information grid with the exact address of each building and the pertinent characteristics of each building, including a breakdown of the acquisition eligible basis and construction/rehabilitation eligible basis attributable to each building.

### **3. Updated Final KHC Underwriting Model**

An updated version of KHC's final underwriting model that reflects the final sources and uses of funds must be submitted. The sources and uses must agree with the final cost certification. Any substantial variances from the underwriting model submitted at the pre-closing stage must be explained and justified. For projects in which KHC completed a subsidy layering review certification to HUD, the project must continue to meet all the benchmarks on the Compliance Checks tab and be consistent with the HAP contract.

### **4. Owner Certification of Federal, State or Local Subsidy** *(KHC form)*

The owner must sign and submit a Certification of Federal, State or Local Subsidy.

### **5. Title Insurance Policy**

An owner's or lender's title insurance policy for the property. The information in the title policy submitted will be used to determine if there are other lenders that will be required to sign the LURA.

### **6. Title Endorsement or Attorney Opinion Letter**

An endorsement to the title or a title attorney's opinion letter that updates the title from the time of the policy to the date of the 8609/LURA request. The endorsement or attorney's letter must be dated no more than 15 days from the date of the 8609/LURA request.

### **7. Tax Information Authorization Form 8821** *(KHC form)*

Prior to the issuance of the IRS Form(s) 8609, owners must submit a signed Form 8821, Tax Information Authorization, to the IRS with a copy to KHC.

**8. Certification of Sources & Uses Form (KHC form)**

A completed Certification of the Sources and Uses form signed by the owner and syndicator/equity provider must be submitted.

**9. Architect's Final Form G702/G703**

An architect must complete the Certificate for Payment (AIA G702) and Continuation Sheet (AIA G703), which breaks the contract sum into portions of work in accordance with a schedule of values utilizing CSI format.

**10. Resolution/Consent Authorizing Execution of the LURA**

Submit a resolution or consent, as appropriate, indicating that the individual executing the LURA has authority to do so. A resolution or consent authorizing the individual to execute all documents relevant to the transaction may be submitted, but is subject to review and acceptance by KHC.

**11. Updated Organizational Documents**

If any changes have been made since the pre-closing stage, the owner must submit an updated organizational chart and governing documents of controlling entities and include the current annual report from the [Kentucky Secretary of State website](#) for each entity within the ownership structure.

**12. Part 3, Request for Certification of Completed Work**

*(Required for projects utilizing federal or state historic rehabilitation credit only)*

Submit a copy of the completed and approved Part 3, "Request for Certification of Completed Work" application for both the Federal and State Historic Credits as evidence of approval and the final amount of historic credits awarded by SHPO and/or the National Park Service. Refer to the [SHPO website](#) for more information.