

# Executive Summary

## AP-05 Executive Summary - 24 CFR 91.200(c), 91.220(b)

### 1. Introduction

The Commonwealth of Kentucky 2023 Annual Action Plan (AAP) guides the investment of federal housing and community development funds. The AAP is a requirement of the U.S. Department of Housing and Urban Development, through which the state receives an annual entitlement, or formula grant, from each of these funds: Community Development Block Grant (CDBG), the HOME Investment Partnerships (HOME) Program, the Emergency Solutions Grant Program (ESG), the Housing Trust Fund (HTF) Program, and the Housing Opportunities for Persons with AIDS Fund (HOPWA). These funds are allocated to address housing, homelessness, and community development needs throughout the Commonwealth over the next year. The AAP includes the non-entitlement areas of the state of Kentucky. The Commonwealth uses HOME funds for affordable housing. The Commonwealth uses CDBG funds to help develop viable communities by providing decent housing and a suitable living environment and by expanding economic opportunities, principally for low- and moderate-income persons. ESG funds are used for: assisting persons experiencing literal homelessness (e.g., those living on the streets, in emergency shelters, or transitional housing, including people fleeing domestic violence, dating violence, and stalking) and those at risk of becoming homeless; homeless shelter services and operations; and street outreach activities. The HOPWA program assists low-income individuals diagnosed with HIV/AIDS and their family members living with them. The Commonwealth uses HTF funds to serve the rental needs of extremely low-income households.

### 2. Summarize the objectives and outcomes identified in the Plan

This could be a restatement of items or a table listed elsewhere in the plan or a reference to another location. It may also contain any essential items from the housing and homeless needs assessment, the housing market analysis or the strategic plan.

The primary objective of HUD's Entitlement Programs is to develop viable communities through the provision of decent housing, a suitable living environment, and expanded economic opportunities.

- Goal 1: HOME Homeowner Activities. Increase the production of new affordable housing and continue to support the rehabilitation and resale of affordable housing.
- Goal 2: HOME Rental Assistance. Increase access to affordable housing through rental assistance.
- Goal 3: HOME Multifamily Activities. Increase access to housing by creating or rehabilitating affordable rental housing for low-income individuals.

- Goal 4: ESG Activities. Improve a wide range of supportive services and permanent housing opportunities for persons experiencing homelessness.
- Goal 5: HOPWA Activities. Improve housing assistance and related supportive services for low-income persons living with HIV/AIDS and their families.
- Goal 6: CDBG Housing. Expand access to affordable housing opportunities for persons of low- and moderate-income.
- Goal 7: CDBG Economic Development. Enhance economic stability and prosperity by increasing economic opportunities for residents through job creation, retention, and business assistance.
- Goal 8: CDBG Public Facilities. Improve the quality of life through funding community projects and foster revitalization of community structure.
- Goal 9: CDBG Public Services. Maintain funding to Recovery Kentucky programs.
- Goal 10: CDBG Public Improvements/Infrastructure. Increase the quality of life including water/sewer improvements and flood drainage improvements.
- Goal 11: HTF Multifamily Activities. Increase access to affordable rental housing for extremely low-income and very low-income households.

### **3. Evaluation of past performance**

This is an evaluation of past performance that helped lead the grantee to choose its goals or projects.

The previous Consolidated Plan and its associated AAPs included goals and strategies to preserve existing multifamily housing and increase the supply of affordable multifamily housing units; outlined programs that focus on assisting persons with special needs and persons experiencing homelessness; and described efforts and initiatives that focused on the revision of existing programs to focus on homelessness prevention, rapid re-housing of persons experiencing homelessness, and supportive housing for persons with disabilities.

Overarching housing needs that remain constant over time are persons with special needs require supports to obtain and retain housing; households in the lowest income categories are housing cost-burdened in high numbers; and there remains a severe shortage of affordable, decent housing. Aging housing stock remains a concern. Older, single-family homes may not be energy efficient, which causes utilities to cost more and contribute to housing cost burden. Multifamily housing units constructed decades ago need rehabilitation. Affordable rental projects financed in the past are nearing the end of their affordability periods and are at risk of loss.

Future focus will remain on improving the existing housing stock, creating new affordable housing units, coordinating housing and services in partnership with other agencies for persons with special needs, and creating economic opportunities for Kentucky's families. Additional information on past performance can be found in the Consolidated Annual Performance and Evaluation Reports (CAPERS) that KHC and DLG submit to HUD each year in September. These reports are available on KHC's web site at

www.kyhousing.org, under Resources. CAPER reports include data on the number of housing units funded, number of housing units completed, economic development, infrastructure, and other community projects, as well as demographic information on households assisted under different programs.

#### **4. Summary of Citizen Participation Process and consultation process**

Summary from citizen participation section of plan.

The Citizen Participation Plan can be found on KHC's website at <https://www.kyhousing.org/Planning-Documents/Pages/Consolidated-Plan.aspx>. In accordance with the Citizen Participation Plan, prior to final development of the Action Plan, KHC and DLG held a public hearing to obtain views of citizens, public agencies, and other interested parties on community and housing needs. The hearing was advertised the very beginning of March and was publicized using direct electronic mail notification, web announcements, and newspaper advertisements, including Spanish-language publications. At the hearing on March 16, 2023, KHC and DLG presented information regarding the allocations the State expects to receive and the range of activities that may be undertaken. The public comment period after drafting the Action Plan took place from April 3, 2023, through May 5, 2023. KHC and DLG encouraged active participation of the Plan by stakeholders who are affected by Community Development Block Grant (CDBG), HOME Investment Partnerships (HOME) funds, Housing Opportunities for Persons with AIDS (HOPWA) funds, Emergency Shelter Grants (ESG) funds, and Housing Trust Funds (HTF).

#### **5. Summary of public comments**

This could be a brief narrative summary or reference an attached document from the Citizen Participation section of the Con Plan.

There were no public comments received at the public hearing. During the public comment period, KHC and DLG received comments regarding: the value of maintaining affordable housing with funding from HOME and NHTF in impoverished and in rural counties, the use of CDBG funds for neighborhood or scattered site development and revitalization, and the usefulness of American Rescue Plan Act funds that provided additional opportunities to serve people in the community. Please see the attachments in AD-26 for full remarks.

#### **6. Summary of comments or views not accepted and the reasons for not accepting them**

There were no comments or views not accepted.

#### **7. Summary**

This plan identifies the need to provide affordable housing and economic opportunities. This plan also addresses the state's intention to utilize funding using the most effective means possible.

**PR-05 Lead & Responsible Agencies - 91.300(b)**

**1. Agency/entity responsible for preparing/administering the Consolidated Plan**

The following are the agencies/entities responsible for preparing the Consolidated Plan and those responsible for administration of each grant program and funding source.

Agency Role		Name	Department/Agency
CDBG Administrator	KENTUCKY	Dept for Local Government/Office of Federal Grants	
HOPWA Administrator	KENTUCKY	KHC Housing Contract Administration	
HOME Administrator	KENTUCKY	KHC Housing Contract Administration/Multifamily	
ESG Administrator	KENTUCKY	KHC Housing Contract Administration	
HOPWA-C Administrator	KENTUCKY	Specialized Housing Resources	
	KENTUCKY	KHC Multifamily Programs	

**Table 1 – Responsible Agencies**

**Narrative**

**Consolidated Plan Public Contact Information**

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## **AP-10 Consultation - 91.110, 91.300(b); 91.315(l)**

### **1. Introduction**

KHC and DLG endeavor to consult with partners, state and federal agencies, local governments, non-profit and for-profit housing developers, citizens, and many other parties interested in providing input prior to and during the drafting of this plan. Consultation with all entities is ongoing throughout the year. In addition to formal public hearings prior to drafting the Action Plan, KHC and DLG engaged partners and other interested parties at meetings for the Kentucky Balance of State Continuum of Care (KY BoS CoC), Housing Policy Advisory Committee, Affordable Housing Trust Fund Committee, and others. These forums offer the opportunity for constant communication and feedback on needs and priorities. DLG consults, on a regular basis, with the Kentucky Division of Water DOW and Kentucky Emergency Management regarding the management of flood prone areas, public land or water resources while reviewing CDBG applications. DLG has also consulted with the Kentucky Public Services Commission regarding the expansion of internet services (broadband) installation in Eastern Kentucky.

The following provides additional details on these coordination activities.

#### **Provide a concise summary of the state's activities to enhance coordination between public and assisted housing providers and private and governmental health, mental health and service agencies**

The state enhances coordination through the Housing Policy Advisory Committee, which plays an active role in advising KHC regarding affordable housing issues. The committee consists of 10 ex-officio state government members, 17 at-large members appointed by KHC's Board, a member of the Senate, and a member of the House of Representatives.

KHC and the state Cabinet for Health and Family Services (CHFS) work closely together on numerous initiatives, such as LIHEAP Weatherization. KHC has full-time dedicated staff tasked to coordinate housing and services initiatives funded by KHC and the Cabinet.

KHC regularly engages with the CHFS Department for Medicaid Services (DMS) regarding housing supportive services strategies.

KHC promotes the Department for Behavioral Health, Developmental and Intellectual Disabilities (DBHDID) online SOAR (SSI/SSDI, Outreach, Access, and Recovery) trainings to its partner agencies providing homeless services. SOAR teaches case managers how to thoroughly complete disability applications. With techniques from these trainings, more disability applications will be approved upon the first submission. Although SSI/SSDI will not lift households above the poverty line, it can help households sustain an income and medical insurance, and with housing assistance, can be as sufficient as the individual has capacity to be.

Permanent supportive housing (PSH) projects funded through the Continuum of Care Program serve individuals and families experiencing homelessness where a household member has a documented disability. These projects are designed as part of the CoC strategy to promote access to housing and intensive housing-focused case management and supportive services to assist persons experiencing homelessness in the transition from streets and emergency shelters to permanent housing and promote permanent housing stabilization, especially persons experiencing chronic homelessness. The projects are renewable annually through the CoC application. KHC is also supporting the development of additional units of PSH via the HOME-ARP program and Low-Income Housing Tax Credit (LIHTC) set asides.

Please see additional details in the Narrative section below.

**Describe coordination with the Continuum of Care and efforts to address the needs of homeless persons (particularly chronically homeless individuals and families, families with children, veterans, and unaccompanied youth) and persons at risk of homelessness**

KHC is the lead planning agency for the Kentucky Balance of State Continuum of Care (118 of Kentucky's 120 counties). In addition to coordinating the Kentucky Balance of State CoC, KHC works with the state Cabinet for Health and Family Services to manage programs that assist homeless veterans, persons with persistent mental illness, and youth aging out of foster care, three populations that are at high risk of becoming homeless.

The Homeless and Housing Coalition of Kentucky is the lead agency for the Kentucky Interagency Council on Homelessness (KICH), on which KHC serves as a standing member. KICH is composed of representation from state government, nonprofit agencies, and advocacy agencies who collaborate and perform duties related to serving special needs populations, including those experiencing homelessness. Representatives of state cabinets and nonprofit organizations (including, but limited to, those who serve veterans, persons experiencing homelessness, families with children and youth aging out of foster care) are active participants on the executive committee and subcommittees.

KHC offers to other agencies that serve persons experiencing homelessness across the state the opportunity to participate in the U.S. Department of Housing and Urban Development's Continuum of Care (CoC) Program. The CoC is a local or regional system for helping people who are homeless, or at risk of homelessness, by providing housing and services appropriate to the whole range of homeless needs in the community. Through the CoC Program, agencies can serve clients with supportive services, transitional housing, permanent supportive housing, or rapid re-housing.

**Describe consultation with the Continuum(s) of Care that serves the State in determining how to allocate ESG funds, develop performance standards for and evaluate outcomes of projects and activities assisted by ESG funds, and develop funding, policies and procedures for the operation and administration of HMIS**

The Kentucky BoS CoC process, which includes ESG planning, begins at the local level with six regions across 118 counties. KHC holds at least one meeting for the entire BoS CoC membership annually, in addition to regular meetings of the BoS CoC Advisory Board, the planning body tasked with CoC-wide planning to address homelessness. The BoS CoC Advisory Board consists of representatives from six regions within the BoS CoC as well as ex-officio members representing the Kentucky Coalition Against Domestic Violence (KCADV) and the Homeless and Housing Coalition of Kentucky (HHCK) and at-large members representing community organizations not funded through ESG or CoC. The City of Lexington as well as the City of Louisville have their own CoC application process and are funded separately from the BoS CoC.

In the KY BoS CoC, homeless service providers, victim service providers, Managed Care Organizations, healthcare providers, veterans' services providers, community leaders, advocates, and homeless service clients meet annually in the six BoS CoC regions. Additionally, KHC, as Collaborative Applicant, coordinates the BoS CoC Advisory Board which guides the decisions and planning efforts affecting the BoS CoC. The BoS CoC Advisory Board, made up of 12 elected agency representatives from across each BoS CoC region and of a cross-section of homeless and special needs service providers, will continue to be a pivotal link to the BoS CoC and the larger services community. The Advisory Board will work with ESG staff on implementation of the HEARTH Act rules, analyzing system performance, and recommending funding mechanisms that allow for the best service delivery across the state and to all populations. In addition, the BoS CoC Advisory Board assists KHC with the evaluation of the Coordinated Entry System overseen and managed by KHC. The BoS CoC Advisory Board meets bi-monthly for continued planning and governance. At numerous planning meetings held throughout the year, participants evaluate their service delivery system, coordinate plans to avoid duplication, share resources, and establish goals for eliminating gaps in the local delivery system. This community-based process assesses services from prevention to stabilization in permanent housing, and housing retention. The BoS CoC evaluates system performance using data collected from CoC and ESG-funded agencies, along with the VA'S Supportive Services for Veteran Families (SSVF) program and the U.S. Health and Human Services Runaway and Homeless Youth (RHY) program. Performance expectations for ESG and CoC-funded projects are set in collaboration between the BoS CoC Advisory Board and KHC.

KHC, as the Collaborative Applicant for the KY BoS CoC, has the unique opportunity and ability to reach out to members of the CoC to obtain feedback and guidance. Through regular BoS CoC Advisory Board meetings and annual CoC membership meetings, information is routinely shared on the anticipated timeline for the allocation of the Emergency Solutions Grant funds. CoC Webinars give KHC ESG staff an opportunity to present information about the annual plan and to field questions from CoC partner agencies on the potential roll-out of the funding.

Additionally, KHC holds KY Bos CoC meetings where ESG staff present updates to program guidelines and request feedback on potential changes to the allocation process in future funding rounds. KHC ESG program staff also maintain regular communication with the Louisville and Lexington CoCs. This allows them to provide regular information about and receive feedback on the Kentucky ESG process. In

collaboration with the BoS CoC, all ESG-funded agencies are required to participate in the BoS CoC Coordinated Entry System.

**2. Agencies, groups, organizations and others who participated in the process and consultations**

**Table 2 – Agencies, groups, organizations who participated**

1	<b>Agency/Group/Organization</b>	Homeless and Housing Coalition of Kentucky
	<b>Agency/Group/Organization Type</b>	Housing PHA Services - Housing Services-Children Services-Elderly Persons Services-homeless Regional organization Planning organization
	<b>What section of the Plan was addressed by Consultation?</b>	Homeless Needs - Chronically homeless Homeless Needs - Families with children Homelessness Needs - Veterans Homelessness Needs - Unaccompanied youth Homelessness Strategy
	<b>Briefly describe how the Agency/Group/Organization was consulted. What are the anticipated outcomes of the consultation or areas for improved coordination?</b>	HHCK is consulted year-round and is a partner in the management of homeless and housing goals.
2	<b>Agency/Group/Organization</b>	FAHE
	<b>Agency/Group/Organization Type</b>	Housing Services - Housing Services-Health Services-Education Regional organization Planning organization
	<b>What section of the Plan was addressed by Consultation?</b>	Economic Development

<b>Briefly describe how the Agency/Group/Organization was consulted. What are the anticipated outcomes of the consultation or areas for improved coordination?</b>	Participated in the public comment period. This agency is a partner and cooperates year-round to achieve housing and economic development goals. Please see the Citizen Participation documents attached to this plan for FAHE's comments.
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**Identify any Agency Types not consulted and provide rationale for not consulting**

There were no agency types not consulted or provided an opportunity to consult. Efforts were made to include a wide range of community stakeholders. No agencies were intentionally excluded from participation. Organizations and individuals were given the opportunity to participate in a public hearing on March 16, 2023, and provide comments on the Plan during the public comment period from April 3, 2023, through May 5, 2023.

**Other local/regional/state/federal planning efforts considered when preparing the Plan**

Name of Plan	Lead Organization	How do the goals of your Strategic Plan overlap with the goals of each plan?
Continuum of Care	Kentucky Housing Corporation	Plans focus on the priority populations and activities including All In: The Federal Strategic Plan to end Homelessness (Chronically Homeless, Veterans, Families with Children and Unaccompanied Youth). ESG funds and CoC funds both give local scoring preference to agencies that target funds to be used for those populations. Additionally, Rapid Re-Housing continues to be encouraged as a successful housing delivery method under both federal funding sources.

Name of Plan	Lead Organization	How do the goals of your Strategic Plan overlap with the goals of each plan?
Housing Needs Assessment (2018)	Kentucky Housing Corporation	The Housing Needs Assessment provides a snapshot of housing in the state of Kentucky. The Assessment is an overview of survey results from program partners in Kentucky, and program evaluation of current KHC services, along with 2018 Kentucky demographic information. The Assessment provided a demand analysis of Multifamily Programs, Housing Choice Voucher Program, and Homeless Outreach Programs (CoC, ESG, and HOPWA). The identified demands overlap with Goal 2: HOME Rental Assistance, Goal 3: HOME Multifamily Activities, Goal 4: Emergency Shelter Grant Activities, Goal 5: HOPWA Activities, and Goal 11: Housing Trust Fund Multifamily Activities.
Kentucky Strategic Plan to End Homelessness (2018)	Kentucky Interagency Council on Homelessness	Kentucky made great strides toward improving statewide strategies to address planning and coordination of behavioral health, primary care services, and access to permanent housing to reduce homelessness. Goals established in the Strategic Plan to End Homelessness overlap with annual Action Plan goals: 1) Goal 4: Emergency Solutions Grant Activities: the Strategic Plan seeks to encourage and support agencies providing emergency shelter and/or crisis beds to lower programmatic barriers to services 2) Goal 9: CDBG Services providing support for Recovery Kentucky as the Strategic Plan seeks to strengthen the discharge process for persons exiting substance abuse programs.
Kentucky Hazard Mitigation Plan (2018)	Kentucky Emergency Management	The Commonwealth of Kentucky Enhanced Hazard Mitigation Plan for 2018 allow the Commonwealth to maximize mitigation activity and administer a comprehensive mitigation program and effectively use mitigation funding. Goal IV of the Mitigation Plan: Increase integration of commonwealth and federal agencies policies, programs, funding sources, projects, and planning (to reduce vulnerabilities to jurisdictions and to commonwealth-owned and commonwealth-operated buildings, infrastructure, and critical facilities). Overlaps with the goals of Goal 8: CDBG Public Facilities and Goal 10: CDBG Public Improvements/Infrastructure.

Name of Plan	Lead Organization	How do the goals of your Strategic Plan overlap with the goals of each plan?
Recovery Center Outcome Study Annual Report (2023)	Kentucky Housing Corporation/University of Kentucky Center on Drug & Alcohol Research	The annual report is a comprehensive review of the findings from the Recovery Kentucky program, a program to help Kentuckians recover from substance abuse, providing housing and recovery services for up to 2,200 persons. The report emphasizes the value of recovery services as a key part of the state commitment to intervening with the growing problem of substance abuse in Kentucky. This goal overlaps with Goal 9: CDBG Services providing ongoing support for Recovery Kentucky. The most recent report may be accessed at <a href="https://cdar.uky.edu/RCOS/RCOS_2023_Report.pdf">https://cdar.uky.edu/RCOS/RCOS_2023_Report.pdf</a>

**Table 3 - Other local / regional / federal planning efforts**

**Narrative**

Continued from above:

KHC, through its Housing Choice Voucher program available in 87 counties, created the Kentucky Moving On initiative in 2017. The program is a partnership with the Kentucky Balance of State Continuum of Care whereby persons currently in CoC-funded permanent supportive housing units who are no longer in need of intensive case management and supportive services may transition out of the PSH-funded resource into a Housing Choice Voucher within the community. The program allows people who achieved housing stability to transition into community-based housing and frees up limited PSH resources for persons with more severe needs, such as those experiencing chronic homelessness.

Additionally, via competitive grants awarded in 2019 and 2020, KHC received 300 Mainstream Vouchers that serve households with a non-elderly member with a disability. These vouchers can serve many persons experiencing or who have experienced homelessness in need of a permanent housing subsidy. Continuum of Care partner agencies refer clients with a history of homelessness to KHC for these vouchers.

In 2019, KHC’s Housing Choice Voucher program was awarded 74 Family Unification Program (FUP) vouchers to assist transition-age youth and families. The program can assist the following two household types:

- Families for whom the lack of adequate housing is a primary factor in the imminent placement of the family's child(ren) in out-of-home care or the delay in returning child(ren) to the family from out-of-home care. (No time limit on assistance for FUP families.)
- Youth 18-24 years of age who left foster care, or will leave foster care within 90 days, in accordance with a transition plan and are homeless or are at risk of becoming homeless. (Maximum of 36 months.)

Case workers with the Cabinet for Health and Family Services refer clients to KHC for Family Unification Program vouchers.

In July 2021, KHC's Housing Choice Voucher program was awarded 257 new Emergency Housing Vouchers (EHV) through the American Rescue Plan (ARP) of 2021. EHV vouchers are to address the continued impact of COVID-19 pandemic on the economy, public health, State and local governments, individuals, and businesses. The program can assist the following Individuals and families:

- Experiencing homelessness
- At Risk of Experiencing homelessness
- Fleeing, or attempting to flee, domestic violence, dating violence, sexual assault, stalking, or human trafficking
- Recently homeless and for whom providing rental assistance will prevent the family's homelessness or having high risk of housing instability

Continued from above:

KHC communicates weekly with partners via the eGram electronic newsletter service. Thousands of people subscribe to this service for messages on ESG and other programs. KHC uses this tool to invite comments on various programs and policies. KHC is regularly engaged with ESG and CoC-funded service providers via regular meetings of and electronic communications with the 15 regional BoS CoC Coordinated Entry System Local Prioritization Communities (LPCs) that refer persons experiencing homelessness to available housing resources.

## **AP-12 Participation - 91.115, 91.300(c)**

### **1. Summary of citizen participation process/Efforts made to broaden citizen participation Summarize citizen participation process and how it impacted goal-setting**

In accordance with the Citizen Participation Plan, prior to final development of the Action Plan, KHC and DLG held a public hearing to obtain views of citizens, public agencies, and other interested parties on community and housing needs. The hearing was advertised the very beginning of March 2023 and was publicized using direct electronic mail notification, web announcements, and newspaper advertisements, including Spanish-language publications. At the hearing on March 16, 2023, KHC and DLG presented information regarding the allocations the State expects to receive and the range of activities that may be undertaken. The public comment period after drafting the Action Plan took place from April 3, 2023, through May 5, 2023. KHC and DLG encouraged active participation of the Plan by stakeholders who are affected by Community Development Block Grant (CDBG), HOME Investment Partnerships (HOME) funds, Housing Opportunities for Persons with AIDS (HOPWA) funds, Emergency Shelter Grants (ESG) funds, and Housing Trust Funds (HTF).

**Citizen Participation Outreach**

Sort Order	Mode of Outreach	Target of Outreach	Summary of response/attendance	Summary of comments received	Summary of comments not accepted and reasons	URL (If applicable)
1	Newspaper Ad	Non-targeted/broad community	Public notices for the public hearing on March 16, 2023, were placed in the Louisville Courier-Journal and Lexington Herald-Leader. Affidavits of publication can be found in the appendix in Section AD-26.	There were no comments received.	There were no comments not accepted.	
2	Newspaper Ad	Minorities Non-English Speaking - Specify other language: Spanish	Public notices for the public hearing on March 16, 2023, were placed in the Spanish language publications Al Dia and El Kentubano. A copy of the translated notices can be found in the appendix in Section AD-26.	There were no comments received.	There were no comments not accepted.	

3	Internet Outreach	<p>Non-targeted/broad community</p> <p>Residents of Public and Assisted Housing</p> <p>Homeless and Support Services</p>	<p>KHC maintains email distributions lists called "eGrams". Information regarding the Action Plan was distributed to recipients on these lists via e-mail. The lists are a mixture of real estate agents, mortgage lenders, single- and multifamily developers, non-profit partners (those part of the CoC, helping with ESG, and other service providers that work with KHC's Housing Contract Administration), and minority- and women-owned businesses (MBE/WBE). A copy of the eGram message can be found in the</p>	There were no comments received.	There were no comments not accepted.	
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Sort Order	Mode of Outreach	Target of Outreach	Summary of response/attendance	Summary of comments received	Summary of comments not accepted and reasons	URL (If applicable)
			Appendix in AD-26. This eGram message contains a Notice of Public Hearing for March 16, 2023.			
4	Public Hearing	Non-targeted/broad community	A public hearing was held on March 16, 2023. The minutes of the hearing are attached to this Plan in the appendix in Section AD-26.	There were no comments received.	There were no comments not accepted.	
5	Newspaper Ad	Non-targeted/broad community	Public notices for the public comment period from April 3, 2023, to May 5, 2023, were placed in the Louisville Courier-Journal and Lexington Herald-Leader. Affidavits of publication can be found in the appendix in Section AD-26.	There were no comments received.	There were no comments not accepted.	

Sort Order	Mode of Outreach	Target of Outreach	Summary of response/attendance	Summary of comments received	Summary of comments not accepted and reasons	URL (If applicable)
6	Internet Outreach	Non-targeted/broad community	KHC advertised via eGrams review of the Action Plan and its associated documents on its website. The eGram invited interested parties to submit any comments during the public comment period from April 3, 2023, to May 5, 2023.	KHC and DLG received comments regarding: the value of maintaining affordable housing with funding from HOME and NHTF in impoverished and in rural counties, the use of CDBG funds for neighborhood or scattered site development and revitalization, and the usefulness of American Rescue Plan Act funds that provided additional opportunities to serve people in the community. Please see the attachments in AD-26 for full remarks.	There were no comments not accepted.	

**Table 4 – Citizen Participation Outreach**



## Expected Resources

### AP-15 Expected Resources – 91.320(c)(1,2)

#### Introduction

In addition to newly allocated block grant funds, estimates of program income and recaptured funds from prior years are included in each year's allocation plan. Please note there is no Program Income expected for CDBG, HOPWA, ESG, and HTF.

#### Anticipated Resources

Program	Source of Funds	Uses of Funds	Expected Amount Available Year 1				Expected Amount Available Remainder of ConPlan \$	Narrative Description
			Annual Allocation: \$	Program Income: \$	Prior Year Resources: \$	Total: \$		
CDBG	public - federal	Acquisition Admin and Planning Economic Development Housing Public Improvements Public Services	26,492,151	0	0	26,492,151	26,492,151	DLG expects to provide funding to projects in non-entitlement areas of the state. Priorities include: CDBG Housing, Public Services, Economic Development, and Other Housing and/or Service Needs.

Program	Source of Funds	Uses of Funds	Expected Amount Available Year 1				Expected Amount Available Remainder of ConPlan \$	Narrative Description
			Annual Allocation: \$	Program Income: \$	Prior Year Resources: \$	Total: \$		
HOME	public - federal	Acquisition Homebuyer assistance Homeowner rehab Multifamily rental new construction Multifamily rental rehab New construction for ownership TBRA	15,095,567	1,993,388	7,909,600	24,998,555	15,095,567	Grant from U.S. Department of Housing and Urban Development to address affordable housing needs.

Program	Source of Funds	Uses of Funds	Expected Amount Available Year 1				Expected Amount Available Remainder of ConPlan \$	Narrative Description
			Annual Allocation: \$	Program Income: \$	Prior Year Resources: \$	Total: \$		
HOPWA	public - federal	Permanent housing in facilities Permanent housing placement Short term or transitional housing facilities STRMU Supportive services TBRA	1,392,747	0	0	1,392,747	1,392,747	Grant from U.S. Department of Housing and Urban Development dedicated to the housing needs of people living with HIV/AIDS.

Program	Source of Funds	Uses of Funds	Expected Amount Available Year 1				Expected Amount Available Remainder of ConPlan \$	Narrative Description
			Annual Allocation: \$	Program Income: \$	Prior Year Resources: \$	Total: \$		
ESG	public - federal	Conversion and rehab for transitional housing Financial Assistance Overnight shelter Rapid re-housing (rental assistance) Rental Assistance Services Transitional housing	2,656,768	0	0	2,656,768	2,656,768	Grant from U.S. Department of Housing and Urban Development to address needs and services for persons experiencing homelessness or persons at risk of homelessness.

Program	Source of Funds	Uses of Funds	Expected Amount Available Year 1				Expected Amount Available Remainder of ConPlan \$	Narrative Description
			Annual Allocation: \$	Program Income: \$	Prior Year Resources: \$	Total: \$		
HTF	public - federal	Acquisition Admin and Planning Homebuyer assistance Multifamily rental new construction Multifamily rental rehab New construction for ownership	3,515,069	0	0	3,515,069	3,515,069	Housing Trust Fund, multifamily housing for extremely low-income and very low-income households.
Other	public - federal	Other	0	0	0	0	0	

Table 5 - Expected Resources – Priority Table

**Explain how federal funds will leverage those additional resources (private, state and local funds), including a description of how matching requirements will be satisfied**

Federal funds will continue to be leveraged with other resources to achieve the objectives of this plan. Matching requirements will be achieved through a variety of methods. Kentucky is fortunate in that a majority of our recipients – nonprofits, private developers, and units of local government – have contributed a large amount of matching funds with their projects. In fact, in the past, HOME recipients have provided enough matching funds annually to allow the state to carry match forward to future years. In addition, KHC will continue to provide matching funds, if needed. Periodically, the amount of HOME matching funds required is reduced due to high unemployment rates, natural disasters, or other factors determined by HUD.

There are several block grant programs that are allocated by the state through a competitive system. This system provides an incentive for applicants to include leverage and matching funds in the project that count toward federal match requirements. Some programs award points to applicants that propose more than the required leverage and matching funds. This encourages applicants to blend funds with other programs to provide for affordable housing opportunities. Other programs require a set amount of proposed match and/or leverage to be eligible for funding. Applicants are also encouraged to contribute additional funds to their project, including, but not limited to, bank loans and other state and federal grants/loans.

KHC and DLG encourage applicants to utilize several sources of funds from the private sector, state programs and local programs to assist in meeting HUD matching requirements to increase the amount of funds available to provide affordable housing.

Each ESG recipient must match the funding provided by ESG with an equal value of contributions from other sources. These funds must be provided after the date of the grant award. In calculating matching funds, recipients may include the value of any donated material or building, the value of the lease of a building, staff salaries paid by the grantee and volunteer time. The recipient may not include funds used to match any previous ESG grant or any other grant. It is anticipated that matching funds will come from a variety of sources, both public and private. Each sub-recipient of ESG funds will be required to match their allocation at a one-to-one level or higher. Because many agencies will be able to use in-kind donations of both goods and services as well as cash contributions, it is anticipated that the Kentucky State ESG program will access enough matching funds.

HOPWA recipients are not required to meet a minimum match requirement, but recipients must coordinate their funding with the administration of federal and state AIDS service funding. At any time, leverage may be one of the factors used in evaluating and ranking HOPWA proposals.

In general, CDBG applicants receive higher priority for funding if they provide matching funds. Kentucky's CDBG Small Cities Small Program is fortunate that the majority of recipients contribute some amount of matching funds.

**If appropriate, describe publically owned land or property located within the jurisdiction that may be used to address the needs identified in the plan**

Cities and counties may contribute public land to a CDBG project.

**Discussion**

Continued information about match requirements:

In general, CDBG applicants receive higher priority for funding if they provide matching funds. Kentucky's CDBG Small Cities Small Program is fortunate that the majority of recipients contribute some amount of matching funds. Guidelines for the Recovery Housing program are in progress.

There is no matching funds requirement for National Housing Trust Fund (HTF) project applicants. However, because these funds are the smallest portion of total project costs, matching and leverage funds will be provided by project-based rental assistance, bond financing, low-income housing tax credits, and other financing mechanisms. The amount of non-federal funding associated with most projects will be substantially higher than the amount of HTF funding allocated to the project.

Finally, The Commonwealth of Kentucky adheres to the match requirements for CDBG, HOME and ESG. The match requirements by program are as follows:

CDBG: After the first \$100,000, the Commonwealth matches, dollar for dollar, all eligible administrative expenses.

HOME: HOME funds are used in conjunction with the Commonwealth's Affordable Housing Trust Fund Dollars. KHC also tracks other eligible match sources allowed by program regulations.

ESG: Funds are matched in an amount that equals the fiscal year grant amount for ESG.

These match practices will be continued through the duration of the 2020 to 2024 Consolidated Planning period.

KHC is the designated administrator of the federal Low-Income Housing Tax Credit (LIHTC) program, governed by Section 42 of the Internal Revenue Code of 1986, as amended (Code), and all Treasury regulations, for the Commonwealth of Kentucky. This program is coordinated with HOME and other funding, including state Affordable Housing Trust Fund, National Housing Trust Fund and KHC Housing Assistance Funds to produce and rehabilitate the maximum number of affordable rental units possible. Entities applying for tax credits apply for other forms of funding/financing through KHC by way of a consolidated application.

Additional affordable housing and economic development programs are currently active in the state of Kentucky although not administered under this plan or by KHC or DLG. Additional agencies and entities that offer programs and funding are:

- Kentucky Small Business Development Centers
- Kentucky Department of Behavioral Health, Developmental and Intellectual Disabilities
- Kentucky Economic Development Cabinet
- Fannie Mae
- Federal Emergency Management Agency and Kentucky Emergency Management Agency
- Federal Housing Administration
- Federal Home Loan Bank
- Kentucky Historic Preservation Office
- U.S. Department of Housing and Urban Development
- Kentucky Association of Counties
- Kentucky Department of Veterans Affairs
- Kentucky Domestic Violence Association
- Kentucky Economic Development Finance Authority (KEDFA)
- Kentucky Infrastructure Authority
- Kentucky Justice Cabinet/Department of Corrections
- Kentucky League of Cities
- Kentucky Rural Economic Development Authority
- Kentucky Transportation Cabinet
- USDA Rural Housing Service
- US Small Business Administration
- US Army Corps of Engineers
- US Veterans Administration

## Annual Goals and Objectives

### AP-20 Annual Goals and Objectives – 91.320(c)(3)&(e)

#### Goals Summary Information

Sort Order	Goal Name	Start Year	End Year	Category	Geographic Area	Needs Addressed	Funding	Goal Outcome Indicator
1	HOME Homeowner Activities	2020	2024	Affordable Housing	Non-Entitlement Geographic Area	Production of New Affordable Housing Rehabilitation of Affordable Housing	HOME: \$7,249,581	Homeowner Housing Added: 48 Household Housing Unit Homeowner Housing Rehabilitated: 3 Household Housing Unit
2	HOME Rental Assistance	2020	2024	Affordable Housing	Non-Entitlement Geographic Area	Rental Assistance	HOME: \$2,999,827	Tenant-based rental assistance / Rapid Rehousing: 400 Households Assisted

Sort Order	Goal Name	Start Year	End Year	Category	Geographic Area	Needs Addressed	Funding	Goal Outcome Indicator
3	HOME Multifamily Activities	2020	2024	Affordable Housing	Non-Entitlement Geographic Area	Production of New Affordable Housing Rehabilitation of Affordable Housing Permanent Supportive Housing	HOME: \$14,749,147	Rental units constructed: 24 Household Housing Unit Rental units rehabilitated: 20 Household Housing Unit
4	Emergency Shelter Grant Activities	2020	2024	Homeless	Non-Entitlement Geographic Area	Rental Assistance Rapid-Rehousing Emergency Shelter Homelessness Outreach Prevention of Homelessness Other Housing and/or Service Needs	ESG: \$2,656,768	Tenant-based rental assistance / Rapid Rehousing: 575 Households Assisted Homeless Person Overnight Shelter: 2800 Persons Assisted Homelessness Prevention: 250 Persons Assisted

Sort Order	Goal Name	Start Year	End Year	Category	Geographic Area	Needs Addressed	Funding	Goal Outcome Indicator
5	HOPWA Activities	2020	2024	Non-Homeless Special Needs	Non-Entitlement Geographic Area	Rental Assistance Other Housing and/or Service Needs	HOPWA: \$1,392,747	Tenant-based rental assistance / Rapid Rehousing: 75 Households Assisted Other: 475 Other
6	CDBG Housing	2020	2024	Affordable Housing	Non-Entitlement Geographic Area	Production of New Affordable Housing Rehabilitation of Affordable Housing Homebuyer Rehabilitation and Development	CDBG: \$3,443,980	Homeowner Housing Rehabilitated: 30 Household Housing Unit
7	CDBG Economic Development	2020	2024	Non-Housing Community Development	Non-Entitlement Geographic Area	Economic Development	CDBG: \$5,033,509	Businesses assisted: 7 Businesses Assisted
8	CDBG Public Facilities	2020	2024	Non-Housing Community Development	Non-Entitlement Geographic Area	Public Facilities Other Housing and/or Service Needs	CDBG: \$9,007,331	Other: 35000 Other
9	CDBG Services	2020	2024	Recovery Kentucky Services	Non-Entitlement Geographic Area	Public Services	CDBG: \$2,914,137	Other: 1100 Other

Sort Order	Goal Name	Start Year	End Year	Category	Geographic Area	Needs Addressed	Funding	Goal Outcome Indicator
10	CDBG Public Improvements/Infrastructure	2020	2024	Non-Housing Community Development	Non-Entitlement Geographic Area	Public Improvements/Infrastructure	CDBG: \$6,093,195	Other: 30000 Other
11	Housing Trust Fund Multifamily Activities	2020	2024	Non-Housing Community Development	Statewide	Production of New Affordable Housing Rehabilitation of Affordable Housing	HTF: \$3,515,069	Rental units constructed: 20 Household Housing Unit

**Table 6 – Goals Summary**

**Goal Descriptions**

1	<b>Goal Name</b>	HOME Homeowner Activities
	<b>Goal Description</b>	Down payment and first mortgage assistance; owner-occupied rehabilitation, owner-occupied new construction.
2	<b>Goal Name</b>	HOME Rental Assistance
	<b>Goal Description</b>	Tenant-based rental assistance.
3	<b>Goal Name</b>	HOME Multifamily Activities
	<b>Goal Description</b>	Rehabilitation of rental housing with or without acquisition; new construction.

4	<b>Goal Name</b>	Emergency Shelter Grant Activities
	<b>Goal Description</b>	Emergency shelter facility operations and services, rapid-rehousing, homeless prevention, street outreach, and other eligible ESG program activities.
5	<b>Goal Name</b>	HOPWA Activities
	<b>Goal Description</b>	Short Term Rental, Mortgage, and Utility assistance and services to allow persons with HIV/AIDs to retain housing. Tenant-based rental assistance to help clients obtain permanent housing. Supportive services to provide needed counseling assistance with childcare, nutritional classes, etc. Permanent housing placement to pay for first month's rent and deposits in order to obtain housing. Housing information services to assist clients with information needed to obtain housing.
6	<b>Goal Name</b>	CDBG Housing
	<b>Goal Description</b>	Assistance for construction, rehabilitation, or homebuyer assistance for single family and multifamily affordable housing.
7	<b>Goal Name</b>	CDBG Economic Development
	<b>Goal Description</b>	To improve local economies and the economic well-being of the people of Kentucky while protecting the environment. Encourage private investment that will result in the creation of new jobs, primarily for the unemployed and underemployed. Discourage the out migration of businesses that employ and serve the local population.
8	<b>Goal Name</b>	CDBG Public Facilities
	<b>Goal Description</b>	To improve the quality of life through funding community projects requested by individual communities to enhance community pride and involvement and perpetuate local identity. Enable local communities to provide services they have determined are important but generally cannot afford. Foster a revitalization of community structure to help communities help themselves. Promote energy efficiency in new construction and rehabilitation projects especially the use of Energy Star qualified products.

<b>9</b>	<b>Goal Name</b>	CDBG Services
	<b>Goal Description</b>	To improve the lives of citizens by helping them overcome chemical addictions and avoid the risk of homelessness. Provide operational costs to support new and existing residential substance abuse centers. Provide support to educational programs for at-risk or LMI persons with substance abuse issues.
<b>10</b>	<b>Goal Name</b>	CDBG Public Improvements/Infrastructure
	<b>Goal Description</b>	To provide public facilities to eliminate conditions which are detrimental to the public health and safety and which thus detract from further community development or which are necessary to meet other essential community needs. Improve existing public facilities. Provide new facilities when warranted by recent population growth or when essential needs exist.
<b>11</b>	<b>Goal Name</b>	Housing Trust Fund Multifamily Activities
	<b>Goal Description</b>	New construction or rehab of affordable rental properties.

## AP-25 Allocation Priorities – 91.320(d)

### Introduction:

Kentucky's block grant funds will be distributed throughout the state on a competitive basis for eligible activities through several methods described in the individual program guidelines for each program. Units of local government, nonprofit and for-profit entities will be able to apply for funding to carry out eligible activities. This distribution system allows eligible agencies to apply for funding for activities that will address the priority needs for their local community, as housing and community development needs vary widely across Kentucky. Funds awarded to local communities will also address the needs addressed in the state's Consolidated Plan. In addition to local community needs, DLG and KHC have identified the following needs that will be addressed with funding via Kentucky's formula allocation funds: the need to increase the supply of affordable homeownership and rental units; the need to preserve the existing supply of subsidized rental units; the need to identify permanent housing solutions for persons experiencing homelessness; the need to support local government's efforts to increase their job/tax base, improve and expand public facilities, and offer services tailored to local needs. The allocation distribution in the table below is an estimate. Depending upon the types of applications received, DLG and KHC may reallocate funding between eligible activities. The distribution in the table below does not include administrative costs, contingencies for disasters, CHDO operating, and HMIS. CHDO set-aside has been included in homeowner activities, although CHDOs are eligible to apply for funding for all activities.

### Funding Allocation Priorities

	HOME Homeowner Activities (%)	HOME Rental Assistance (%)	HOME Multifamily Activities (%)	Emergency Shelter Grant Activities (%)	HOPWA Activities (%)	CDBG Housing (%)	CDBG Economic Development (%)	CDBG Public Facilities (%)	CDBG Services (%)	CDBG Public Improvements/Infrastructure (%)	Housing Trust Fund Multifamily Activities (%)
CDBG	0	0	0	0	0	13	19	34	11	23	0
HOME	29	12	59	0	0	0	0	0	0	0	0
HOPWA	0	0	0	0	100	0	0	0	0	0	0
ESG	0	0	0	100	0	0	0	0	0	0	0
HTF	0	0	0	0	0	0	0	0	0	0	100
Other RHP	0	0	0	0	0	0	0	0	0	0	0

**Table 7 – Funding Allocation Priorities**

**Reason for Allocation Priorities**

Housing priorities are considered equal.

**How will the proposed distribution of funds will address the priority needs and specific objectives described in the Consolidated Plan?**

HOPWA Activities (100% of HOPWA) - Funds are limited to this priority. All will be used to address HOPWA needs.

HOME Homeowner Activities (29% of HOME); HOME Rental Assistance (12% of HOME); HOME Multifamily Activities (58% of HOME) - HOME distributions seek to optimize the impact of HOME funds across the Balance of State. Homeowner and TBRA activities are important, but the greatest priority is on preservation and creation of affordable rental units across the state. If KHC received more HOME funding, the percentage might be recalibrated to fund more homebuyer development and TBRA.

ESG Activities (100% of ESG) - Funds are limited to this priority. All will be used to address ESG needs.

CDBG Housing (13% of CDBG); CDBG Economic Development (19% of CDBG); CDBG Public Facilities (34% of CDBG); CDBG Services (11% of CDBG); CDBG Public Improvements/Infrastructure (23% of CDBG) - CDBG distributions seeks to optimize the impact of CDBG funds across the Balance of State and to address demand across priorities that far outstrips available CDBG.

HTF Multifamily Activities (100% of HTF) - Funds are for the most part limited to this priority. All will be used to address the preservation and/or creation of rental units affordable to extremely low-income households.

Funds are distributed based on an estimate of the types of applications the state expects to receive.

## AP-30 Methods of Distribution – 91.320(d)&(k)

### Introduction:

Each program covered by this Action Plan has a unique timeline and method for distributing its funds. Kentucky's block grant funds will be distributed throughout the state on a competitive basis for eligible activities through several methods described in the program guidelines for each program for the purposes of preserving existing affordable housing as well as fostering new affordable housing opportunities. Units of local government, nonprofit, and for-profit entities will be able to apply for funding to carry out eligible activities, subject to the limitations of each program. This distribution system allows eligible agencies to apply for funding for activities that will address the priority needs for their community. In addition, funds awarded to local communities will also address the housing needs outlined in the state's Consolidated Plan. Eligible activities and recipient types for each block grant program are specifically addressed in their distribution plans.

### Distribution Methods

**Table 8 - Distribution Methods by State Program**

1	<b>State Program Name:</b>	Community Development Block Grant Program
	<b>Funding Sources:</b>	CDBG

<p><b>Describe the state program addressed by the Method of Distribution.</b></p>	<p>The HUD CDBG Program provides assistance to communities for use in revitalizing neighborhoods, expanding affordable housing and economic opportunities, assisting with community emergency relief, providing infrastructure, improving community facilities, and providing operational costs for Recovery Kentucky substance abuse centers. With the participation of their citizens, communities can devote these funds to a wide range of activities that best serve their own development priorities. DLG works directly with eligible units of local government in distributing CDBG funds, which are awarded on a competitive basis through an open application process. Local governments are best equipped to understand the needs of their individual communities and, through an open application process, present projects for funding that are ready to proceed. To strengthen gaps in this process, DLG conducts training for local officials and grant administrators. Training acquaints the officials with the regulatory requirements of the program. Information included that assists in ensuring strong applications and successful projects includes environmental requirements, labor standards, procurement standards, fair housing and equal opportunity and concerns related to construction and housing.</p>
<p><b>Describe all of the criteria that will be used to select applications and the relative importance of these criteria.</b></p>	<p>All cities and counties in Kentucky are eligible for participation in the CDBG Program except for the cities of Ashland, Bowling Green, Covington, Elizabethtown, Henderson, Hopkinsville, Owensboro, the City of Lexington/Fayette County and City of Louisville/Jefferson County Metro Government which receive a direct allocation of CDBG funds from the federal government. Applications are reviewed based on the following criteria: need, necessary and reasonable expenditures of funds, and project effectiveness.</p>

<p><b>If only summary criteria were described, how can potential applicants access application manuals or other state publications describing the application criteria? (CDBG only)</b></p>	<p>The CDBG Program Guidelines, including detailed information about each eligible activity, are available at: <a href="https://kydlgweb.ky.gov/FederalGrants/CDBG_cities.cfm">https://kydlgweb.ky.gov/FederalGrants/CDBG_cities.cfm</a>.</p>
<p><b>Describe the process for awarding funds to state recipients and how the state will make its allocation available to units of general local government, and non-profit organizations, including community and faith-based organizations. (ESG only)</b></p>	<p>N/A</p>

<p><b>Identify the method of selecting project sponsors (including providing full access to grassroots faith-based and other community-based organizations). (HOPWA only)</b></p>	<p>N/A</p>
<p><b>Describe how resources will be allocated among funding categories.</b></p>	<ul style="list-style-type: none"> <li>• Public Facilities - \$8,834,662</li> <li>• Economic Development - \$5,005,449</li> <li>• Housing - \$3,353,572</li> <li>• Community Projects - \$5,803,703</li> <li>• Public Services (Recovery Kentucky) - \$2,600,000</li> <li>• Community Emergency Relief Fund - TBD based on need</li> </ul>

<p><b>Describe threshold factors and grant size limits.</b></p>	<ul style="list-style-type: none"> <li>• Economic Development (Traditional) - \$1,000,000 Individual; \$2,000,000 Multi-Jurisdiction</li> <li>• Economic Development (Non-Traditional) - \$250,000 Individual; \$500,000 Multi-Jurisdiction</li> <li>• Public Facilities - \$1,000,000 Individual; \$2,000,000 Multi-Jurisdiction</li> <li>• Self-Help - \$250,000 Individual; \$500,000 Multi-Jurisdiction</li> <li>• Housing - \$1,000,000 Individual</li> <li>• Community Projects - \$750,000 Individual</li> <li>• Community Emergency Relief Fund (CERF)- Determined on need</li> <li>• Public Services (Recovery Kentucky) Existing Facilities - \$200,000</li> <li>• Public Services (Recovery Kentucky) New Facilities - \$200,000</li> </ul>
<p><b>What are the outcome measures expected as a result of the method of distribution?</b></p>	<p>Recipients must acknowledge that they will be required to submit performance measure information to DLG to meet this reporting requirement. As part of this process, each recipient will be required to complete a Program Completion Report at closeout. Some recipients, due to the nature of their projects (housing rehab and job creation), will report annually. There are three main components of the Performance Measurement System: Objectives, Outcomes and Indicators. Each component relates to a project activity. DLG will assign one of three objectives related to the type of activity, funding source and goal/program intent.</p> <p>Objectives include:</p> <ul style="list-style-type: none"> <li>• Suitable Living Environment</li> <li>• Decent Housing</li> <li>• Economic Opportunity</li> <li>• Improved Availability/Accessibility</li> <li>• Improved Affordability</li> <li>• Improved Sustainability</li> </ul>
<p><b>State Program Name:</b></p>	<p>Emergency Solutions Grants Program</p>

<b>2</b>	<b>Funding Sources:</b>	ESG
	<b>Describe the state program addressed by the Method of Distribution.</b>	ESG is designed for the rehabilitation or conversion of buildings for use as emergency shelter for those experiencing homelessness, for the payment of certain expenses related to operating emergency shelters, for essential services related to emergency shelters and street outreach for those experiencing homelessness, and for homelessness prevention and rapid re-housing assistance.
	<b>Describe all of the criteria that will be used to select applications and the relative importance of these criteria.</b>	KHC awards ESG funding through a competitive application process. KHC will use a renewal funding round for subrecipients awarded funding through the FFY22 competitive application process to award FFY2023 ESG funds. KHC will hold another competitive application round in Spring 2024 to award FFY2024 ESG funds on a 2-year renewable basis. In the 2022 competition, applicants were evaluated on such areas as: local needs, applicant experience/capacity/performance, project design, community coordination, and other factors, such as adherence to best practices such as low-barrier shelter and Housing First principles and participation in the KY BoS CoC's Coordinated Entry System. Subrecipients receiving funding will continue to be required to address how they will address and help eliminate fair housing impediments. In the 2022 competition, which awards are being renewed through the 2023 renewal funding round, KHC most heavily considered an applicant's organizational capacity, project design, and community collaboration efforts.

<p><b>If only summary criteria were described, how can potential applicants access application manuals or other state publications describing the application criteria? (CDBG only)</b></p>	<p>N/A</p>
<p><b>Describe the process for awarding funds to state recipients and how the state will make its allocation available to units of general local government, and non-profit organizations, including community and faith-based organizations. (ESG only)</b></p>	<p>Through a two-year competitive application process, KHC will make ESG funds available to eligible non-profits and local governments from the 118 counties in Kentucky that do not receive a direct allocation of ESG as an entitlement area. All funds will be obligated to sub-grantees within 60 days of the date KHC enters into its funding agreement with HUD. KHC accepts applications from all eligible applicants (including first-time applicants and faith-based groups). KHC intends to open a two-year competitive application round for FFY2024 ESG funds in the spring of 2024.</p>

<p><b>Identify the method of selecting project sponsors (including providing full access to grassroots faith-based and other community-based organizations). (HOPWA only)</b></p>	<p>N/A</p>
<p><b>Describe how resources will be allocated among funding categories.</b></p>	<p>As previously stated, funding for FFY23 will be awarded on a renewal basis for subrecipients awarded funding through the FFY22 competitive application round. To reduce the time that families and individuals remain homeless, shorten the length of stay in the homeless system, and prevent homelessness from occurring, it is important to dedicate the resources necessary to achieve those outcomes. With the implementation of the KY BoS CoC Coordinated Entry System, it is important to consider the unique needs of local prioritization areas where collaboration is occurring. The KY BoS CoC Coordinated Entry System is implemented by utilizing smaller groupings of counties called Local Prioritization Communities (LPCs) based on Area Development District boundaries that work together to pool resources to serve those with the highest needs and divert people from the system as appropriate. Some already have Rapid Re-Housing (RRH) resources through the CoC program while other areas may not. Some areas may need more street outreach or prevention resources based on their configuration of existing community resources. KHC anticipates awarding the majority of FFY2023 ESG funding for RRH activities, followed by Shelter activities and then Prevention and Street Outreach. KHC also allows subrecipients to request at least 3.75% for administrative activities. KHC also encourages applicants to request funds to support HMIS-eligible activities to ensure compliance with HUD reporting expectations and CoC strategic planning efforts.</p>

<p><b>Describe threshold factors and grant size limits.</b></p>	<p>As previously stated, FFY2023 ESG funding will be distributed to recipients through a renewal funding round held in spring 2023. In FFY22, no single application was able to request more than \$150,000 of the total amount of funds available. The only time a single applicant could submit more than one application is if the project's facilities are in different counties. KHC made every effort to award limited resources as prudently as possible and select those agencies with the greatest capacity to effectively administer the funds. The amount of funds awarded depended on how well an application scored as well as the other considerations such as expenditure rates of FFY2019, FFY2020, FFY2021, and FFY2022 ESG funding by each agency. KHC will select projects based on project viability, applicant capacity, performance, community collaboration, and program design. It is our goal to achieve as much geographic distribution as possible, while ensuring that the strongest applications receive funding based on their total scores in FFY22. KHC reserves the right to award greater than \$150,000 to an organization if funds are available and the need is justified.</p>
<p><b>What are the outcome measures expected as a result of the method of distribution?</b></p>	<p>The distribution of funds is intended to allow partners to make progress most effectively towards the CoC's goal of homelessness being rare, brief, and non-recurring in the Kentucky Balance of State. The primary outcomes KHC will monitor will be those established by HUD as part of the CoC System Performance Measures that are relevant to ESG programs, which includes:</p> <ul style="list-style-type: none"> <li>• Reduction in the average and median length of time persons remain homeless;</li> <li>• Reduction in the percent of persons who return to homelessness;</li> <li>• Reduction in the number of persons who are homeless;</li> <li>• Number of persons who become homeless for the first time;</li> <li>• Successful placement from Street Outreach; and</li> <li>• Successful placement in or retention of Permanent Housing</li> </ul>
<p><b>3 State Program Name:</b></p>	<p>HOME Investment Partnerships Program</p>
<p><b>Funding Sources:</b></p>	<p>HOME</p>

<p><b>Describe the state program addressed by the Method of Distribution.</b></p>	<p>Possible activities eligible for funding include, but are not limited to:</p> <ul style="list-style-type: none"> <li>• Rehabilitation for homebuyer or rental properties</li> <li>• Acquisition, including down payment and closing cost assistance</li> <li>• New construction or preservation of rental or homebuyer properties</li> <li>• Tenant-based rental assistance</li> <li>• Demolition in conjunction with rehabilitation or new construction</li> <li>• Reconstruction of housing</li> <li>• Adaptive reuse</li> <li>• Homeless assistance (restricted to housing development activities for transitional or permanent housing, and tenant-based rental assistance)</li> </ul>
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<p><b>Describe all of the criteria that will be used to select applications and the relative importance of these criteria.</b></p>	<p>Eligibility to apply for HOME funds will be no more restrictive than that required by HUD regulations. In addition to meeting basic eligibility criteria, additional minimum threshold requirements may be set by KHC during each funding round. These thresholds will be outlined in specific funding round application guidelines. Applications may be submitted for homeownership, tenant-based rental assistance, and rental activities. Announcements of funding availability will be announced via KHC's eGram web service. Applications may be evaluated on factors such as: performance measures; project need/demand; financial design and feasibility; project design; capacity of the development team; and readiness to proceed. KHC will make every effort to work with applicants and offer technical assistance when completing an application. After an application is given a conditional commitment of funding, the applicant must submit necessary technical submission items to receive a full release of funds. In the event a recipient has not satisfactorily performed under the terms of a prior written agreement with KHC, KHC reserves the right to not accept subsequent applications. Plan for determining compliance with the 95 percent median purchase price 92.254(a)(2)(iii): The Final Rule published on July 24, 2013, established new homeownership value limits for the HOME program. These new limits apply to homeownership housing when HOME funds are committed on or after August 23, 2013, and remain in effect until HUD issues new limits. KHC will fully comply with the 95 percent median purchase price limits established annually by HUD. For existing housing, the new HOME homeownership value limit is the greater of the 95 percent of the median purchase price for the area based on Federal FHA single-family mortgage program data and other appropriate data that are available nationwide for sale of existing housing in standard condition, or the minimum limit (or floor) based on 95 percent of the statewide, nonmetropolitan area median purchase price using this data. This limit encompasses the total purchase/rehabilitation price, regardless of source of financing. KHC will use the Homeownership Value limits released by HUD annually at: HOME Maximum Purchase Price/After-Rehab Value - HUD Exchange.</p>
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<p><b>If only summary criteria were described, how can potential applicants access application manuals or other state publications describing the application criteria? (CDBG only)</b></p>	<p>N/A</p>
<p><b>Describe the process for awarding funds to state recipients and how the state will make its allocation available to units of general local government, and non-profit organizations, including community and faith-based organizations. (ESG only)</b></p>	<p>N/A</p>

<p><b>Identify the method of selecting project sponsors (including providing full access to grassroots faith-based and other community-based organizations). (HOPWA only)</b></p>	<p>N/A</p>
<p><b>Describe how resources will be allocated among funding categories.</b></p>	<p>KHC cannot predetermine the use of HOME funds by activity. The amount of funds allocated for each activity will be based on the nature of applications received by KHC, the criteria described in the application process and the extent to which proposals are consistent with the priorities identified in this plan. KHC will make every attempt to distribute funds geographically, contingent upon overall housing demand. KHC has estimated the distribution of funds by activity based on anticipated funds and has included program income and recaptures. The distribution may change based on actual demand by activity. KHC anticipates that FFY 2021 funds will be distributed approximately as follows (as of the date of publication for comment, HUD had not announced funding):</p> <ul style="list-style-type: none"> <li>• Homeowner activities, including new construction, rehabilitation, and acquisition/rehabilitation/resale - \$4,800,000. This includes CHDO set-aside funds.</li> <li>• Tenant-Based Rental Assistance - \$2,000,000</li> <li>• Rental Production/Rehab - \$9,712,990.49</li> </ul>

<p><b>Describe threshold factors and grant size limits.</b></p>	<p>KHC imposed performance-based thresholds for HOME funds. Applicants will be required to meet annually established expenditure and commitment thresholds as spelled out in application guidelines prior to application submission. In FFY2023, KHC will allow eligible applicants to request up to \$500,000 of HOME funds for multifamily activities unless the project was preapproved for additional funding, and \$500,000 for single-family activities. KHC will allow eligible applicants to request a maximum of \$500,000 of HOME funds during an application round. The amount may decrease depending on the amount of available HOME funds. KHC may impose a smaller amount for first time applicants, or applicants with limited experience. KHC may allow higher amounts for multifamily projects utilizing tax-exempt bonds or based on the size and complexity of projects. In addition, KHC reserves the right to allow single-family and TBRA activities to request higher amounts if it is necessary to fully distribute HOME funding. Additionally, KHC will review the capacity of applicants and may require applicants for HOME funds to meet a minimum capacity score to be eligible for funding. Consideration will be given to factors such as past performance, current debt obligation to KHC and compliance with past funding. KHC will reserve a minimum of 15 percent of the total amount of HOME funds received for Community Housing Development Organizations (CHDOs). CHDOs apply to KHC to develop, sponsor or own projects and will be eligible to undertake any eligible activity in accordance with 24 CFR Part 92 Subpart G. Due to the extensive network of nonprofit housing providers in the state, KHC anticipates that the annual participation of CHDOs will exceed 15 percent of total HOME funds. To apply for funds from the CHDO set-aside, an organization must be eligible to be a CHDO. KHC does not accept certifications of other participating jurisdictions. KHC will evaluate the performance of any eligible organization wishing to receive CHDO designation at the time of application. If the organization is successful in the application process and is deemed a CHDO, CHDO operating funds may be awarded. CHDO operating funds will be provided on a year-by-year basis provided funds are available and the CHDO has demonstrated acceptable performance. To document its performance and be eligible to receive operating funds, the CHDO must provide quarterly progress reports. CHDO operating funds are awarded on a yearly basis coinciding with KHC's fiscal year. Draw requests for eligible expenditures may be made on a calendar quarter reimbursement. KHC has imposed a maximum direct homebuyer subsidy cap of \$40,000 per unit for and a maximum development gap subsidy cap of \$25,000 for HOME-funded homeownership activities. However, KHC reserves the right to allow subrecipients to exceed this maximum with prior written approval or a public notice. All HOME funds used for homeownership activities will be required at a minimum to meet the HOME</p>
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		affordability period as established in 24 Part 92.254. Additional guidance on maximum subsidy cap and affordability periods will be detailed in the 2023 Single Family Development and AHTF Home Repair NOFA Competitive Application Guidelines Scoring Criteria as well as the KHC 2023 Single-Family Homebuyer Development Policy Manual.
	<b>What are the outcome measures expected as a result of the method of distribution?</b>	KHC anticipates that due to the capacity and threshold requirements, there may be fewer applicants for funding, but by increasing the allocation amounts, applicants with greater capacity will be awarded funds. This will also allow KHC to meet newly imposed expenditure deadlines imposed with the new HOME regulations in effect after August 23, 2013. Outcome measures include availability/affordability/accessibility of decent affordable housing.
4	<b>State Program Name:</b>	Housing Opportunities for Persons with AIDS
	<b>Funding Sources:</b>	HOPWA
	<b>Describe the state program addressed by the Method of Distribution.</b>	Any activity that qualifies under the HOPWA federal program rules may be awarded by KHC through the federally funded state HOPWA Program, provided it is consistent with the Consolidated Plan and this Action Plan. Activities eligible for funding include Tenant-Based Rental Assistance; Short-Term Rent, Mortgage, and/or Utilities; Supportive Services; Resource Identification; Housing Information Services; Permanent Housing Placement; and Administrative Fees. KHC reserves the right to further restrict any of the HOPWA program guidelines, as approved by HUD.

<p><b>Describe all of the criteria that will be used to select applications and the relative importance of these criteria.</b></p>	<p>The FFY2023 allocation of HOPWA formula funding will be awarded to current HOPWA subrecipients on a renewal basis resulting from a competitive application held in Spring 2023. KHC typically makes funds available every three years through a competitive application process. The last competitive application round was in 2022 using FFY21 funds that established a three-year renewal cycle. During the funding competition, applicants were reviewed based on project need and agency experience and funds will be awarded on a three-year basis.</p>
<p><b>If only summary criteria were described, how can potential applicants access application manuals or other state publications describing the application criteria? (CDBG only)</b></p>	<p>N/A</p>

<p><b>Describe the process for awarding funds to state recipients and how the state will make its allocation available to units of general local government, and non-profit organizations, including community and faith-based organizations. (ESG only)</b></p>	<p>N/A</p>
<p><b>Identify the method of selecting project sponsors (including providing full access to grassroots faith-based and other community-based organizations). (HOPWA only)</b></p>	<p>As described earlier in this section relating to the how funds are allocated and the criteria used to select project sponsors, KHC utilizes a competitive application process every three years that is open to all eligible applicants, including grassroots faith-based organizations and other community-based organizations. To be eligible to apply for funding, an organization need only meet the eligibility criteria established by HOPWA statute and regulations. KHC advertises the availability of applications on its website and notifies the public via electronic newsletters. One of the three organizations currently funded with HOPWA funds is Matthew 25 AIDS Services, which was established by the Zion United Church of Christ in Henderson, KY.</p>

<p><b>Describe how resources will be allocated among funding categories.</b></p>	<p>While KHC has not established minimum or maximum funding amounts by category, in general, most agencies request the largest amount of funding for STRMU, TBRA, and services. Housing assistance in the form of long- and short-term rent subsidies continues to be in high demand in all areas of the state.</p>
<p><b>Describe threshold factors and grant size limits.</b></p>	<p>At this time, threshold limits are not restricted. The amount of funds allocated for each activity will be based on the nature of applications received by KHC. KHC will make every attempt to distribute funds geographically, contingent upon overall application submission scoring. KHC will utilize carryover funds from prior years and/or recaptured funds as necessary to meet the objectives of the state.</p>

	<p><b>What are the outcome measures expected as a result of the method of distribution?</b></p>	<p>HOPWA programs will be evaluated based on the outcome measures currently identified in the HUD 40110-D CAPER (Housing Status at program exit, reduced risk of homelessness and access to care and support), with emphasis on housing status at program exit. Because the housing portions of STRMU and TBRA are where most of the funds are utilized, the housing results will be most important.</p>
5	<p><b>State Program Name:</b></p>	<p>National Housing Trust Fund</p>
	<p><b>Funding Sources:</b></p>	<p>HTF</p>

<p><b>Describe the state program addressed by the Method of Distribution.</b></p>	<p>The National Housing Trust Fund (HTF) program will be used to finance the construction or rehabilitation of affordable rental housing whose units receive rental subsidy. Activities eligible for funding include demolition in conjunction with rehabilitation or new construction, adaptive reuse of an existing structure into affordable rental units, new construction of affordable rental units, and rehabilitation of existing rental units. KHC may fund additional activities permitted by federal regulation. Activities that qualify under the HTF Rule, Sections 24 CFR 93.200 – 203, may be financed by the HTF Program, provided it is consistent with the Consolidated Plan, this Action Plan, and any NOFA or QAP issued to award HTF funds, as they may be amended from time to time. Eligible recipients will be multifamily housing developers who meet KHC's capacity threshold and who meet the criteria for successful applications for funding for new construction or rehabilitation of affordable multifamily projects in Kentucky. Capacity is based on experience and capacity, compliance monitoring history, financial management, and additional criteria related to the status of projects in process, uncorrected compliance findings or concerns (if any), success of current projects/properties, and credit rating of members of the development team. KHC supports development teams that have successfully undertaken multifamily development or preservation projects for affordable housing utilizing tax-exempt bonds during the preceding five years. Application submissions will be in response to the 2023 Tax-Exempt Bond NOFA, as well as 2024 Low Income Housing Tax Credit (LIHTC) Funding Round. Notification that applications are being accepted will be made via KHC's eGram service. The LIHTC application is competitive. In addition to the bond and housing credits allocated, successful applicants may be funded from other available sources for multifamily housing, including HOME and state Affordable Housing Trust Fund. LIHTC applications will be reviewed and scored during the competitive process. The development team information received will be reviewed to ensure the development team has the capacity and financial strength to develop, construct and manage a LIHTC project. KHC's credit committee will meet to discuss and prioritize each response according to the final score and available credit.</p>
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<p><b>Describe all of the criteria that will be used to select applications and the relative importance of these criteria.</b></p>	<p>KHC will focus on projects with some form of project-based rental assistance. Projects that have the highest scores based on the scoring criteria established for the 2024 LIHTC Funding Round and/or preferences set forth in the 2023 Tax-Exempt Bond NOFA will be considered for funding. Respondents must meet the requirements of the 2023-2024 Qualified Allocation Plan (QAP) and 2023-2024 Multifamily Guidelines located at: <a href="https://www.kyhousing.org/Partners/Developers/Multifamily/Pages/Applications-Guidelines-Scoring.aspx">https://www.kyhousing.org/Partners/Developers/Multifamily/Pages/Applications-Guidelines-Scoring.aspx</a>. Projects must be completed and placed in service no later than 36 months after the date of the closing of all KHC funds. All projects must clearly address one or more impediments to fair housing. Respondents must identify fair housing impediments in KHC’s Analysis of Impediments to Fair Housing (AI). If the project is in a HOME participating jurisdiction, the project must also address one or more impediments in the local jurisdiction’s AI. Project Characteristics include but are not limited to - projects that preserve multifamily property; adaptively reuse a building as affordable housing; new construction projects that are part of a Community Revitalization Plan and the community has dedicated funding to support the plan. Projects that have project-based Section 8 or other rental subsidy for at least 75 percent of units across the collective project. Market Absorption and Market Capture Requirements - all projects, define and justify the absorption period, absorption rate and capture rate for the property noting when the project is expected to achieve 93 percent occupancy. Capture rates and absorption rates are required to recognize other funded projects in its market study review. In the event two or more projects are submitted from the same geographical region, KHC staff will determine, through market study reviews, that the targeted market for that region will be able to absorb each project, noting the impact that capture rates and market absorption will have on existing and proposed projects in the area also funded by KHC. Market study considerations may cause a property or a project to be denied funding or have funding reduced during the application and technical submission phase.</p>
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<p><b>If only summary criteria were described, how can potential applicants access application manuals or other state publications describing the application criteria? (CDBG only)</b></p>	<p>N/A</p>
<p><b>Describe the process for awarding funds to state recipients and how the state will make its allocation available to units of general local government, and non-profit organizations, including community and faith-based organizations. (ESG only)</b></p>	<p>N/A</p>

<p><b>Identify the method of selecting project sponsors (including providing full access to grassroots faith-based and other community-based organizations). (HOPWA only)</b></p>	<p>N/A</p>
<p><b>Describe how resources will be allocated among funding categories.</b></p>	<p>The single funding category for this program is the production of new multifamily housing or rehabilitation of existing multifamily housing for households who are extremely low income (or very low income in years where adequate funding allows for more than one income level to be served under the program regulations).</p>

<p><b>Describe threshold factors and grant size limits.</b></p>	<p>Pursuant to HUD Notice 15-003, Interim Policy on Maximum Per-Unit Subsidy Limits for the HOME Program, KHC has elected to utilize the HOME per-unit limits for the HTF program, as provided by HUD which establishes the following per unit maximum:</p> <p>0 Bedroom - \$159,754</p> <p>1 Bedroom - \$183,132</p> <p>2 Bedroom - \$222,694</p> <p>3 Bedroom – \$288,094</p> <p>4+ Bedroom – \$316,236</p> <p>There is no maximum award amount associated with this program. KHC will make every effort to distribute HTF funds geographically. The ability to do so may be limited by the location of eligible applicants and projects that receive adequate scoring to be funded. Projects must be completed within 36 months of the date of the award of HTF funds. Recipients must present a project timeline demonstrating the ability to close on all funds requested, including any bond transaction, by one year from application. KHC’s NHTF program includes a requirement that assisted units also include rental subsidy. An exception may be made for mixed-income developments or if funds remain unallocated after the issuance of a NOFA for NHTF funds. A second funding round to allocate remaining funds may not include this provision. KHC’s program includes a 30-year recorded land use restrictive covenant for all projects receiving NHTF Funding. While KHC’s priority housing needs include affordable rental and homeowner housing, and tenant-based rental assistance as equal priorities, KHC has focused on rental projects that serve special needs and the elderly as well as those that preserve existing housing stock. NHTF funds will be allocated in conjunction with LIHTCs and Tax-Exempt Bonds. Projects funded under the NHTF will be those that receive LIHTCs and Tax-Exempt Bond financing, both of which are non-federal sources of funding, and leveraged funds will be the majority of funds in the total financing of these projects.</p>
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<b>What are the outcome measures expected as a result of the method of distribution?</b>	Outcome measures include availability/affordability/accessibility of decent affordable housing.
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**Discussion:**

Each program has a specific, individual method for distribution of funds. KHC and DLG periodically announce funding rounds via eGrams and on their websites.

## AP-35 Projects – (Optional)

### Introduction:

#	Project Name

Table 9 – Project Information

**Describe the reasons for allocation priorities and any obstacles to addressing underserved needs**

## AP-38 Project Summary

### Project Summary Information

Project Name	Target Area	Goals Supported	Needs Addressed	Funding	Description	Target Date	Esti and tha from acti
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## **AP-40 Section 108 Loan Guarantee – 91.320(k)(1)(ii)**

**Will the state help non-entitlement units of general local government to apply for Section 108 loan funds?**

Yes

### **Available Grant Amounts**

The Section 108 Loan Guarantee Program will allow Kentucky to leverage up to five times its annual CDBG allocation for large-scale economic development and community projects. Considering current market conditions and to encourage development in Kentucky, the Commonwealth is now considering applications from non-entitlement communities that the Commonwealth may submit to HUD on behalf of these communities for the Section 108 Loan Guarantee program. Funds borrowed using Section 108 requires a pledge of the Commonwealth's current and future CDBG allocations. The Section 108 program provides an additional source of funds to address significant economic development and community projects which have a regional or statewide impact.

### **Acceptance process of applications**

Applicants must submit an original and one (1) copy of a program specific project application. Activities described in the application are reviewed to determine if they meet the fundability criteria as established in the Housing and Community Development Act. Project activities must meet one of the three National Objectives as referenced in Section II. CDBG program staff review applications and prepare a project summary/review. Staff submit their summary to a review committee designated by the Commissioner. The committee will meet and evaluate projects based on the review criteria and staff comments. The committee will determine approval, rejection, or deferral. In the event demand exceeds the amount of funds available, those projects with the greatest need and effectiveness are for funding.

## **AP-45 Community Revitalization Strategies – 91.320(k)(1)(ii)**

**Will the state allow units of general local government to carry out community revitalization strategies?**

Yes

### **State’s Process and Criteria for approving local government revitalization strategies**

DLG does not have a designated Revitalization Program. DLG allows communities, within the regular guidelines, to choose a specific area of focus and carry out various kinds of eligible revitalization activities, over time. A city or county may include any eligible CDBG activity in a revitalization strategy. Most of the activities fall in the Community Projects or Housing program areas. This includes projects such as senior centers, health and wellness centers, housing rehabilitation, and slum and blight removal. A community can choose to Economic Development projects as well. Many projects include partnerships with funds from other sources and participation of non-project agencies. For additional information on the process and approval of CDBG revitalization projects, please go to the DLG web page at [http://kydlgweb.ky.gov/FederalGrants/16\\_CDBG.cfm](http://kydlgweb.ky.gov/FederalGrants/16_CDBG.cfm).

## **AP-50 Geographic Distribution – 91.320(f)**

### **Description of the geographic areas of the state (including areas of low-income and minority concentration) where assistance will be directed**

CDBG: Statewide, Excluding Entitlement cities/areas. All cities and counties in Kentucky are eligible for participation in the CDBG Program except for the cities of Ashland, Bowling Green, Covington, Elizabethtown, Henderson, Hopkinsville, Owensboro, the City of Lexington/Fayette County and City of Louisville/Jefferson County Metro Government which receive a direct allocation of CDBG funds from the federal government.

HOME: Based upon demand for available funds, KHC will make every effort to ensure that the HOME funds are disbursed geographically. Reservations of HOME funds will be monitored throughout the year. If deemed appropriate, KHC may discontinue allowing applications from certain areas of the state if the area has already received greater funding as compared to other areas of the state. Such a hold on applications would only continue until KHC could ascertain the demand for funds in all areas of the state.

ESG: All of Kentucky's allocation must be made available to Balance of State Continuum of Care cities and counties or private nonprofit organizations on a competitive basis. Because funds requested are always more than what is available, KHC will continue the practice of only funding ESG applicants serving clients in non-entitlement ESG areas. It is KHC's intention to fund eligible applicants representing a broad geographic area in the state. A competitive application will be conducted in Spring 2023 to allocate ESG funds on a 2-year basis with proportional renewals based on the changes in EHG entitlement funding in the second year of the grant.

HOPWA: Eligible applicants are nonprofit agencies and local governments across the state. HOPWA funding application awards have been very consistent for several years with funding reaching the entire state. HOPWA-funded agencies cover large service areas, which allows for all counties within KHC's balance of state to be covered by HOPWA funding. A competitive application was conducted in 2022 to allocate HOPWA funds on a 3-year renewable basis.

HTF: Based upon demand for available funds, KHC will make every effort to ensure that the HTF funds are disbursed geographically.

All funds are allocated through competitive funding applications submitted for eligible activities.

### **Geographic Distribution**

<b>Target Area</b>	<b>Percentage of Funds</b>
Non-Entitlement Geographic Area	94
Statewide	6

## **Table 10 - Geographic Distribution**

### **Rationale for the priorities for allocating investments geographically**

In general, investments are not allocated geographically. KHC will continue to make an effort in distributing HTF funds geographically (by congressional district) dependent upon market need and eligible projects. Tax Exempt Bond projects must adhere to Kentucky Housing Corporation's QAP, which includes a provision allowing KHC to allocate resources to achieve a mix of resource usage or geographical distribution of resources among Kentucky's congressional districts. Funding allocation proposals are finalized through KHC's credit committee review. One of the purposes of the QAP is to provide as many rental housing projects as possible while considering geographical need, size and cost per unit, long-term viability depending on the funds available, applications received, and their location. As part of the credit committee's selection process, the location of all proposed projects is reviewed to determine if allocations are distributed across the state.

Not applicable for CDBG funding.

### **Discussion**

Funds under HOME, ESG, and HOPWA are targeted to areas of the state that do not receive a direct allocation from HUD. HTF funds may be allocated to projects located anywhere in Kentucky, based on project ranking and limitations addressed in any NOFA issued. For this reason, the state estimates that 10% of funds will be allocated in the target area. Additional information on HTF funds is included in the HTF Allocation Plan included in this Action Plan.

## Affordable Housing

### AP-55 Affordable Housing – 24 CFR 91.320(g)

#### Introduction:

ESG shelter activities are included in the homeless goal.

One Year Goals for the Number of Households to be Supported	
Homeless	2,800
Non-Homeless	300
Special-Needs	180
Total	3,280

**Table 11 - One Year Goals for Affordable Housing by Support Requirement**

One Year Goals for the Number of Households Supported Through	
Rental Assistance	1,750
The Production of New Units	67
Rehab of Existing Units	55
Acquisition of Existing Units	0
Total	1,872

**Table 12 - One Year Goals for Affordable Housing by Support Type**

#### Discussion:

Homeless one-year goal includes persons in emergency shelters and those who received rapid-rehousing assistance. Non-homeless are those who were assisted with homeless prevention funds. Special needs goals include those who received HOPWA rental and/or short-term rental/mortgage/utility assistance.

One year goals in include:

- Rental assistance - HOME TBRA, HOPWA Tenant-Based Rental Assistance, and ESG Rapid-Rehousing Assistance
- New Units - Homeownership and rental new construction units under HOME
- Rehab Units - HOME and CDBG homeowner rehab units and HOME rental rehab units.

Goals in both tables represent units completed during the year rather than those awarded funding in keeping with HUD's annual reporting requirements.

## **AP-60 Public Housing - 24 CFR 91.320(j)**

### **Introduction:**

The KHC Tenant Assistance Program (TAP) does not manage any public housing. The TAP continues to administer the Housing Choice Voucher (HCV) Program in areas of the state that are not served by a local public housing authority (PHA). KHC aggressively pursues any new voucher funding opportunities to add to the current capacity of the HCV program.

As of December 2021, TAP served 4389 households through housing choice vouchers, including project-based vouchers. Of households served, several were for designated special populations: 435 Mainstream 5; 350 Non-Elderly Disabled; 43 VASH; 257 Emergency Housing Choice Voucher (EHV).

There are approximately 106 public housing agencies in Kentucky that manage conventional public housing units. PHAs play an important role in filling the gap between the need and supply of affordable rental housing. These agencies provide housing for over 32,000 families statewide.

### **Actions planned during the next year to address the needs to public housing**

The TAP is focused on program utilization during 2022, with a minimum of 98% of housing assistance funds received from HUD expended for the calendar year. The TAP HCV Waiting List is currently closed due to the high volume of applicants. Monthly voucher offers continue. TAP will continue to monitor the need to open the HCV waiting list monthly. KHC will increase outreach to potential owners to maintain an adequate supply of affordable housing for the HCV program.

KHC has been actively working with local PHA's as they pursue repositioning under HUD's Rental Assistance Demonstration (RAD) Program. KHC has encouraged the use of tax-exempt bond financing to assist with the RAD conversion process and have included preferences for PHA's pursuing RAD in recent Notification of Application of Funding (NOFA) opportunities.

KHC, through its Housing Choice Voucher program available in 87 counties, created the Kentucky Moving On initiative in 2017. The program is a partnership with the Kentucky Balance of State Continuum of Care whereby persons currently in CoC-funded permanent supportive housing units who are no longer in need of intensive case management and supportive services may transition out of the PSH-funded resource into a Housing Choice Voucher within the community. The program allows people who have achieved housing stability to transition into community-based housing and frees up limited PSH resources for persons with more severe needs, such as those experiencing chronic homelessness. Additionally, via competitive grants awarded in 2019 and 2020, KHC received 300 Mainstream Vouchers that can serve households with a non-elderly member with a disability. It is anticipated these vouchers can serve many persons experiencing or who have experienced homelessness in need of a permanent housing subsidy. Continuum of Care partner agencies refer clients with a history of homelessness to KHC

for these vouchers.

KHC's HCV program continues to administer 74 Family Unification Program (FUP) vouchers awarded in 2019 to assist transition-age youth and families. The program can assist the following two household types:

- Families for whom the lack of adequate housing is a primary factor in the imminent placement of the family's child(ren) in out-of-home care or the delay in returning child(ren) to the family from out-of-home care. (No time limit on assistance for FUP families.)
- Youth 18-24 years of age who left foster care, or will leave foster care within 90 days, in accordance with a transition plan and are homeless or are at risk of becoming homeless. (Maximum of 36 months.)

Case workers with the Cabinet for Health and Family Services refer clients to KHC for Family Unification Program vouchers.

In July 2021, KHC's Housing Choice Voucher program was awarded 257 new Emergency Housing Vouchers (EHV) through the American Rescue Plan (ARP) of 2021. EHV vouchers are to address the continued impact of COVID-19 pandemic on the economy, public health, State and local governments, individuals, and businesses. The program can assist the following Individuals and families:

- Experiencing homelessness
- At Risk of Experiencing homelessness
- Fleeing, or attempting to flee, domestic violence, dating violence, sexual assault, stalking, or human trafficking
- Recently homeless and for whom providing rental assistance will prevent the family's homelessness or having high risk of housing instability

### **Actions to encourage public housing residents to become more involved in management and participate in homeownership**

The Family Self-Sufficiency (FSS) Program, administered by KHC, provides supportive services to participants who possess a housing choice voucher when they sign a five-year contract of participation. The ultimate goal of this program is to help participants become self-sufficient by obtaining employment and becoming free of government assistance, including public housing. FSS participants receive employment skills training, budget and credit counseling, money management tips and homeownership education. KHC also establishes a savings account with monthly deposits based on the participant's increased earnings. FSS graduates are encouraged to use the escrow funds as a down payment on a home, but this is not mandatory.

### **If the PHA is designated as troubled, describe the manner in which financial assistance will be**

**provided or other assistance**

KHC, as the balance of state PHA, is currently designated as a standard performer.

**Discussion:**

## **AP-65 Homeless and Other Special Needs Activities – 91.320(h)**

### **Introduction**

Please see the appendix in AD-26 for the entirety of AP-65.

### **Describe the jurisdictions one-year goals and actions for reducing and ending homelessness including**

#### **Reaching out to homeless persons (especially unsheltered persons) and assessing their individual needs**

Please see the appendix in AD-26 for the entirety of AP-65.

#### **Addressing the emergency shelter and transitional housing needs of homeless persons**

Please see the appendix in AD-26 for the entirety of AP-65.

#### **Helping homeless persons (especially chronically homeless individuals and families, families with children, veterans and their families, and unaccompanied youth) make the transition to permanent housing and independent living, including shortening the period of time that individuals and families experience homelessness, facilitating access for homeless individuals and families to affordable housing units, and preventing individuals and families who were recently homeless from becoming homeless again**

Please see the appendix in AD-26 for the entirety of AP-65.

#### **Helping low-income individuals and families avoid becoming homeless, especially extremely low-income individuals and families and those who are: being discharged from publicly funded institutions and systems of care (such as health care facilities, mental health facilities, foster care and other youth facilities, and corrections programs and institutions); or, receiving assistance from public or private agencies that address housing, health, social services, employment, education, or youth needs**

Please see the appendix in AD-26 for the entirety of AP-65.

### **Discussion**

Please see the appendix in AD-26 for the entirety of AP-65.

**AP-70 HOPWA Goals – 91.320(k)(4)**

<b>One year goals for the number of households to be provided housing through the use of HOPWA for:</b>	
Short-term rent, mortgage, and utility assistance to prevent homelessness of the individual or family	150
Tenant-based rental assistance	75
Units provided in permanent housing facilities developed, leased, or operated with HOPWA funds	0
Units provided in transitional short-term housing facilities developed, leased, or operated with HOPWA funds	0
<b>Total</b>	<b>225</b>

## **AP-75 Barriers to affordable housing – 91.320(i)**

### **Introduction:**

Many of the barriers to affordable housing in Kentucky are concentrated at the local level rather than at the state level, as cities and counties establish regulations, plans and policies that affect their jurisdiction. The overall demand for affordable housing and the lack of funding to fulfill the demand continues to be the biggest barrier statewide. In 2020, KHC also drafted an updated Analysis of Impediments. Please see the appendix in AD-26 attached to this plan for more details about actions taken to address issues identified in the AI.

### **Actions it planned to remove or ameliorate the negative effects of public policies that serve as barriers to affordable housing such as land use controls, tax policies affecting land, zoning ordinances, building codes, fees and charges, growth limitations, and policies affecting the return on residential investment**

- Continue to promote and market the "Simply Home" exhibit to municipalities and institutions across Kentucky as a vehicle for fair housing education and outreach. Though many of our placements are on hold during COVID, we plan to update and consolidate the display, making it more portable and usable. In the next fiscal year, we plan to focus on gathering more Success Stories, which can be used to update the display
- Continue to allocate LIHTC funding to projects that prioritize higher opportunity areas and avoid concentrations of affordable housing.
- Evaluate tools and methods to connect people to housing, such as housing service locator tools and landlord recruitment.

### **Discussion:**

KHC will continue its efforts to create and expand housing opportunities considering the above referenced barriers. It will attempt to do so through education and funding.

With respect to the Simply Home exhibit, KHC curated it to showcase the faces of affordable housing and how affordable housing creates good neighbors. Organizations serving partner and public audiences may request this exhibit for showings in an accessible place by the public. Civic organizations, libraries, museums, and other places that can accommodate the floor space for the 24-foot by 34-foot exhibit and consider the 4-foot accessibility for compliance with ADA are great showcases for the exhibit. This educational effort serves in part to reduce resistance to affordable housing.

Building on that, in February, KHC launched a social media campaign following a Lexington family that bought their first home. They worried that homeownership would not be possible for them. Through their story, KHC will show a year of firsts chronicling the excitement and challenges of homeownership. It also will be an opportunity to highlight some of KHC programs along the way, including tax credits,

DAP, the homebuying process. KHC hopes to replicate the campaign to highlight other segments of affordable housing this year.

## **AP-85 Other Actions – 91.320(j)**

### **Introduction:**

#### **Actions planned to address obstacles to meeting underserved needs**

KHC plans to address the following obstacles to meeting the housing needs of underserved populations:

Existing rental housing is lost due to expiring contracts and affordability periods. KHC is undertaking a plan to preserve existing housing including offering financing programs to update and preserve properties and extend affordability periods, ensuring the housing remains available to low-income households. Part of KHC's efforts to meet this underserved need by increasing the supply of affordable rental housing for extremely low-income and very low-income households includes combining sources of funding (Housing Tax Credits, Tax-Exempt Bonds, Housing Trust Fund) to fund projects using a blend of financing mechanisms and block grant funds along with project-based rental assistance. This method of financing has allowed KHC to increase the number of housing units it can produce each year to meet this underserved need. Projects funded under the National Housing Trust Fund must be deed-restricted to remain affordable for 30 years – a period much longer than other sources of funding.

Youth experiencing homelessness will continue to be assisted under CoC grants initially awarded to an 8-county region in southeastern Kentucky under Round 1 of the Youth Homelessness Demonstration Project that are now in renewal status.

#### **Actions planned to foster and maintain affordable housing**

The Consolidated Plan addresses a variety of needs for affordable housing and community development that were derived from input at local levels across the state and utilizing housing data. The plan represents a wide array of needs. While one community may need rental housing production at a specific site, another community may need homeowner rehabilitation over a scattered site. For the state to address its community needs, the block grant programs need a level of flexibility for eligible activities to be undertaken. The state will support any application for funding under both federal and private sources that will assist the state in meeting any category of need for affordable housing and community development. The Housing Policy Advisory Committee consists of 10 ex-officio state government members, 17 at-large members appointed by the chairman of the Board of Directors of KHC, a member of the Senate and a member of the House of Representatives. The advisory committee submits an annual report of activities and recommendations to the governor. The Housing Policy Advisory Committee includes numerous subcommittees, including a data subcommittee. This subcommittee reviews needs data annually and makes recommendations to KHC on priorities, which are considered when drafting each annual action plan.

Kentucky's block grant funds will be distributed throughout the state on a competitive basis for eligible

activities through several methods described in the program guidelines for each program for the purposes of preserving existing affordable housing as well as fostering new affordable housing opportunities. Units of local government, nonprofit and for-profit entities will be able to apply for funding to carry out eligible activities. This distribution system allows eligible agencies to apply for funding for activities that will address the priority needs for their community. In addition, funds awarded to local communities will also address the housing needs outlined in the state's Consolidated Plan.

### **Actions planned to reduce lead-based paint hazards**

Both KHC and DLG have a commitment to ensure that recipients of HOME, CDBG, ESG, HTF and HOPWA funds administer programs that adequately limit the risks associated with lead-based paint. Program administrators assist in statewide and local efforts to detect and abate lead-based paint as appropriate. Recipients of funding through these block grant programs are required to comply with all federal, state, and local lead-based paint regulations. KHC and DLG staff members take several steps to fulfill their responsibility regarding lead-based paint hazards. Applicants for HOME, ESG, HTF and HOPWA funds are made aware of the requirements of the lead-based paint regulations as they apply for funds. If funded, applicants receive additional formal training and individual technical assistance provided by staff. This technical assistance is available through the life of the project.

Inquiries regarding lead-based paint hazards, evaluation and screening are often referred to the Environmental Lead Program administrator at the Kentucky Department of Public Health. To assist with the cost of lead-based paint removal activities, KHC allows HOME funds to be used in the form of a grant for homeowners receiving assistance for homeowner rehabilitation activities. KHC adopted an environmental assessment policy several years ago. During the next fiscal year, KHC anticipates a review of the current policy to determine whether it requires revision. The current policy requires a Phase I environmental assessment for many projects. Dependent upon the findings of a Phase I review, a Phase II review may be required. KHC staff members perform visual inspections to identify possible lead-based paint hazards for projects wishing to use block grant funds. Several inspections of projects involving rehabilitation are performed during the construction process. In addition, Housing Quality Standards (HQS) inspections are performed at rental properties throughout the state.

DLG has adopted a policy on lead hazard reduction in keeping with federal regulations. For projects involving a home constructed prior to 1978, grantees are notified of the hazards of lead-based paint. In addition, if housing built prior to 1978 is being rehabilitated, the housing must be inspected for defective paint. If surfaces are found to be defective, they must be treated during rehabilitation.

Full abatement of lead-burdened housing is a worthwhile goal. However, it is costly, and caution must be taken to ensure that the work is performed in a safe manner by certified workers. Additional information about lead-based paint abatement is available through the Department of Public Health,

the federal Environmental Protection Agency, KHC and DLG.

### **Actions planned to reduce the number of poverty-level families**

KHC and DLG have been providing affordable housing and economic development opportunities to decrease the number of poverty-level families living in unsafe and unaffordable housing. KHC's programs range from homeless assistance and Section 8 rental assistance to homeownership and housing financing programs. DLG housing programs are typically, but not limited to, single-family housing rehabilitation. DLG offers many non-housing programs that focus on community and economic development to combat poverty.

Long-term anti-poverty CDBG objectives include:

- Encouraging private investment that will result in the creation of new jobs for the unemployed and underemployed.
- Discouraging the out-migration of businesses that employ and serve the local population.
- Fostering a revitalization of community structure to help communities help themselves.
- Enabling local communities to plan for future community development needs.

Housing, whether rental or ownership, is viewed as one of the major components in assisting individuals and families in overcoming the struggles of poverty. It takes a combination of many activities, such as job training and education, health, and childcare assistance as well as a place to call home to effectively assist families on the continuum towards self-sufficiency. A variety of affordable housing programs across the state not only provide direct financial assistance with housing costs, but combine housing assistance with social programs, such as life skills training, job training, post-secondary education, and homeownership counseling.

To meet the goal of raising the standard of living for all low-income individuals and families, the state is committed to assisting individuals in achieving employment; continuing adult education and postsecondary education; childhood development intervention; adequate and affordable childcare for working families; increased access to health insurance coverage and the provision of affordable housing opportunities.

KHC will continue to fund the Scholar House program, designed to assist single parents in obtaining higher education. These programs have been established at several universities across the state and provide housing and childcare for single parents enrolled in college. After graduation, the family may obtain housing using a rental voucher.

DLG will continue to fund traditional economic development activities that create or retain jobs principally benefiting low- and moderate-income persons. Nontraditional economic development projects are those which provide funding of activities including, but not limited to, job training and

placement of other support services including peer support counseling, childcare, and transportation.

### **Actions planned to develop institutional structure**

KHC and DLG will continue to partner with a diverse number of entities from private industry, non-profit organizations, and public institutions in carrying out activities under the Consolidated Plan. DLG works directly with eligible units of local government in distributing CDBG funds. KHC is responsible for the administration of the HOME, ESG, HTF, and HOPWA Programs. Eligible applicants include, but are not limited to, units of local government, Community Housing Development Organizations (CHDOs), nonprofit housing organizations and for-profit developers. Direct technical assistance from program staff for the HOME, ESG, HTF and HOPWA programs is provided on a statewide basis to all eligible applicants. After funding is awarded, implementation and administration training are available to all recipients. In addition to administering the federal block grant programs, KHC and DLG administer other programs that partner with units of local government, CHDOs, nonprofit housing organizations and for-profit developers.

Both KHC and DLG depend on the active participation of partners to accomplish the overall goals of these programs of providing affordable housing opportunities to lower-income families and individuals across Kentucky:

- KHC administers Housing Choice Voucher Program funds in counties where there is no local housing authority.
- KHC works directly with HUD and the Federal Financing Bank (FFB) in the administration of the Risk-Sharing Program to increase the number of safe, decent, and affordable rental units throughout the state. When funding is available, KHC processes and underwrites the loan applications and, in the event of default, the mortgage insurance risk is shared between KHC and HUD.
- The Governor's Local Issues Conference is held annually and is attended by local officials from cities and counties throughout the Commonwealth.
- The annual Kentucky Affordable Housing Conference will be attended by representatives of various housing and related service organizations.
- KHC and DLG work with the Recovery Kentucky Task Force that advocates for substance abuse recovery services through long-term supportive housing, recovery programs aimed at addressing homelessness and recovery from addiction within the commonwealth.
- KHC coordinates the state's Housing Policy Advisory Committee and participates on the Kentucky Interagency Council on Homelessness.
- KHC works with nonprofit organizations across the state through the various programs offered at KHC.
- Many private housing developers utilize the Housing Credit Program, HOME, and HTF programs as well as other federal and state housing programs for the development of affordable rental housing across the state. Likewise, KHC continues to maintain relationships with several private

developers who utilize HOME funds to provide homeownership opportunities for low-income Kentuckians.

### **Actions planned to enhance coordination between public and private housing and social service agencies**

The Kentucky Interagency Council on Homelessness (KICH) is composed of representation from state government, nonprofit and advocacy agencies to collaborate on homeless issues. KICH Executive Committee consists of the CEO of Kentucky Housing Corporation, Secretary of Health and Family Services Cabinet, Secretary of Justice and Public Safety Cabinet, Secretary of Education Cabinet, Secretary of Transportation Cabinet, Executive Director of Administrative Office of the Courts, State Budget Director, Commissioner of Veterans Affairs, Executive Director of the Homeless and Housing Coalition of Kentucky and one member from each house of the Kentucky General Assembly appointed by the Governor.

The KICH Steering Committee consists of representatives of the Executive Committee, state government agencies, homeless advocates, and service providers. The KICH Steering Committee has five policy subcommittees that mirror the core concerns identified in the Strategic Plan to End Homelessness. The policy subcommittees are supportive housing, services/prevention, public will, and data.

Serve Kentucky (formerly the Commission on Community Volunteerism and Service) is a statewide, bi-partisan group comprised of at least 15 members, appointed by the governor, with diverse service and volunteerism backgrounds. Serve Kentucky actively engages citizens in community service opportunities that enable volunteers, organizations, and businesses to share ideas and effectively collaborate to address Kentucky's needs. Serve Kentucky funding is provided by the Corporation for National and Community Service and the Kentucky General Assembly.

The Governor's Reentry Task Force – Statewide Reentry Steering Team was established to develop policy recommendations regarding the reduction of recidivism, enhancement of public safety and the furtherance of reentry efforts. The mission of Kentucky's Reentry initiative is to integrate successful offender reentry principles and practices in the Commonwealth of Kentucky state agencies and communities resulting in partnerships that improve public safety, enhance offender self-sufficiency, and reduce recidivism. The Kentucky Statewide Reentry Steering Team is developed to create a multidisciplinary work team to develop recommendations and provide information to the Governor's Reentry Task Force. The Kentucky Department for Behavioral Health, Developmental and Intellectual Disabilities coordinates funding focused on the needs of that portion of the Olmstead population with severe and persistent mental illness. These funds are used to move individuals from psychiatric hospitals and nursing facilities to apartments in the communities of their choice and for the construction of permanent supportive housing as funds become available.

The network of 100-bed Recovery Kentucky Centers are drug and alcohol-free housing for persons who

are homeless or at risk for homelessness due to their continued dependence on alcohol and drugs. These housing centers provide a safe and secure environment for men and women to begin a process of self-help and peer-led education that leads to long term sobriety. The Recovery Kentucky program model is designed to help the recovering alcoholic/addict regain a life of sobriety and to begin a journey toward permanent housing and self-sufficiency.

The FSS Provider Coordinating Committee (PCC) is established to assist KHC with planning and implementing the FSS Program. Members are representatives from state, local, and private groups who have resources to assist low-income families and have a commitment to family self-sufficiency.

**Discussion:**

Continued from above: Recipients of federal funds from DLG and KHC are required to adhere to federal Section 3 regulations that provide economic opportunity to low-income residents of the neighborhoods affected by the project and businesses owned by persons of low income. KHC's Multifamily Production programs include incentives to de-concentrate poverty for new construction projects. The state's Analysis of Impediments to Fair Housing discusses de-concentrating poverty as well. KHC's Housing Choice Voucher program has materials in the briefing process to educate families about seeking housing that is not in a racial or ethnic area of concentrated poverty or concentrated area of housing vouchers.

## Program Specific Requirements

### AP-90 Program Specific Requirements – 91.320(k)(1,2,3)

#### Introduction:

#### Community Development Block Grant Program (CDBG)

##### Reference 24 CFR 91.320(k)(1)

Projects planned with all CDBG funds expected to be available during the year are identified in the Projects Table. The following identifies program income that is available for use that is included in projects to be carried out.

1. The total amount of program income that will have been received before the start of the next program year and that has not yet been reprogrammed	0
2. The amount of proceeds from section 108 loan guarantees that will be used during the year to address the priority needs and specific objectives identified in the grantee's strategic plan.	0
3. The amount of surplus funds from urban renewal settlements	0
4. The amount of any grant funds returned to the line of credit for which the planned use has not been included in a prior statement or plan	0
5. The amount of income from float-funded activities	0
<b>Total Program Income:</b>	<b>0</b>

#### Other CDBG Requirements

1. The amount of urgent need activities	0
2. The estimated percentage of CDBG funds that will be used for activities that benefit persons of low and moderate income. Overall Benefit - A consecutive period of one, two or three years may be used to determine that a minimum overall benefit of 70% of CDBG funds is used to benefit persons of low and moderate income. Specify the years covered that include this Annual Action Plan.	91.00%

#### HOME Investment Partnership Program (HOME)

##### Reference 24 CFR 91.320(k)(2)

1. A description of other forms of investment being used beyond those identified in Section 92.205 is as follows:

An applicant that proposes to use any other form of investment not described in 25 CFR 92.205

must provide the following when applying:

- A description of the form of investment;
  - Justification for the need for the form of investment; and
  - A description of the proposed means of securing the investment, if any. KHC will not permit other forms of investment without prior HUD approval.
  - Additionally, the only preferences applied to HOME funding are as follows:
  - For homebuyer activities: Households earning at/below 80% AMI and with non-home assets below \$50,000.
  - For rental activities: Households earning at/below 60% AMI and, when HOME is allocated along with Tax-Exempt Bond or LIHTC financing, projects that will preserve rent-restricted and/or rent-assisted multifamily properties. KHC will permit HOME-assisted homebuyer units to be acquired via lease-purchase as allowed under 24 CFR 92.254(a)(7).
  - In NOFAs for individual formula allocation programs, KHC delineates in detail the eligible applicants and beneficiaries of each program. KHC also identifies funding priorities in individual program NOFAs as well as in the LIHTC Qualified Allocation Plan.
2. A description of the guidelines that will be used for resale or recapture of HOME funds when used for homebuyer activities as required in 92.254, is as follows:

For homeownership activities, KHC requires all HOME funds to be repaid at the time the property is transferred to another owner.

If the property is sold, leased, refinanced, or no longer used as the primary residence of the assisted homeowner; KHC may recapture the AHTF or HOME funds. In the event the net proceeds from a sale are insufficient to repay KHC the HOME or AHTF investment, KHC will recapture the net proceeds. In the event of foreclosure, if the shared net proceeds are insufficient to repay the HOME funds, the HOME affordability may be terminated, subject to 24CFR Part 92.254(a)(5)(ii)(A).

In the event an heir does not meet the 80 percent AMI limit on HOME-funded properties, the HOME investment must be recaptured.

See the HOME Homebuyer Program Recapture Provisions attached to this Action Plan for further detail.

3. A description of the guidelines for resale or recapture that ensures the affordability of units acquired with HOME funds? See 24 CFR 92.254(a)(4) are as follows:

All HOME funds used for homeownership activities will be required, at a minimum, to meet the HOME affordability period as established in 24 CFR Part 92.254. Additional guidance on maximum

subsidy cap and affordability periods will be detailed in the Homebuyer/Home Repair Programs Application Guidelines and the KHC Single-Family Homebuyer Development Policy Manual. Additional information is included in the HOME Recapture Provisions attached to this Action Plan.

4. Plans for using HOME funds to refinance existing debt secured by multifamily housing that is rehabilitated with HOME funds along with a description of the refinancing guidelines required that will be used under 24 CFR 92.206(b), are as follows:

KHC will not allow HOME funds to be used in the refinancing of existing debt secured by multifamily housing.

### **Emergency Solutions Grant (ESG) Reference 91.320(k)(3)**

1. Include written standards for providing ESG assistance (may include as attachment)

See ESG Written Standards are attached to this plan.

2. If the Continuum of Care has established centralized or coordinated assessment system that meets HUD requirements, describe that centralized or coordinated assessment system.

The Kentucky Balance of State CoC (KY BoS CoC) has fully implemented its Coordinated Entry System (CES) in accordance with the HUD requirements. The KY BoS CoC began implementation of its CES in July 2015, with the establishment of a pilot project in a 16-county area of the 118-county BoS. With the lessons learned from that pilot, coordinated entry has been implemented across the entire geographic area governed by CoC-implemented policies and procedures. Since the geographic area is so large, the CoC is implementing coordinated entry by using smaller regional bodies called Local Prioritization Communities (LPCs), which mirror existing Area Development Districts (ADDs). All areas are utilizing a common assessment tool and are following policies and procedures adopted by the Ky BoS CoC Advisory Board. The KY BoS CoC has elected to utilize the VI-SPDAT as its common assessment tool. All ESG and CoC-funded agencies are required to utilize the VI-SPDAT and to work with other housing and service providers in their local prioritization areas to enroll participants in permanent housing based on the participant's level of need. KHC serves as the CCES oversight entity. In November 2020, additional improvements were made to the CES based on lessons learned from multiple years of implementation, including feedback from participating organizations and participants. KHC now serves as the entity responsible for the provision of referrals to available permanent housing resources in each Local Prioritization Community via the KY Homeless Management Information System (KYHMIS). KHC has a dedicated staff member assigned to overseeing coordinated entry implementation. Four KY BoS CoC member agencies continue to receive CoC Supportive Services Only (SSO) grants to support their work as Coordinated Entry leads in their regions, and in the HUD 2021 CoC Competition, the KY BoS CoC was awarded a coordinated

entry grant to support BoS-wide housing navigation services and two new regional Coordinated Entry lead grants. The KY BoS CoC Advisory Board has established a coordinated entry committee, which is charged with overseeing the implementation of coordinated entry in conjunction with KHC. The committee has worked closely with the Kentucky Coalition Against Domestic Violence to develop a process for victims of domestic violence to have access to the coordinated entry system without compromising potential privacy concerns.

3. Identify the process for making sub-awards and describe how the ESG allocation available to private nonprofit organizations (including community and faith-based organizations).

KHC will make ESG funds available to eligible non-profits (including community and faith-based organizations) and local governments from the 118 counties in Kentucky that do not receive ESG allocations from HUD as entitlement areas.

In 2023, KHC will renew existing FFY2022 subrecipients using funding process to award FFY2023 ESG funds.

FFY2022 applications were ranked based on score and allocations will be made based on applicant ranking, overall request, and expenditure rates from the FFY 2019, FFY2020, FFY2021. KHC reserves the right to consider FFY2022 expenditure rates when adjusting subrecipient's budgets for FFY2023.

2023 renewal applicants will be evaluated on such areas as: local needs, applicant experience/capacity/performance, project design, community coordination, and other factors. Applicants were and will continue to be required to also address Impediments to Fair Housing and adhere to Equal Access Rules.

4. If the jurisdiction is unable to meet the homeless participation requirement in 24 CFR 576.405(a), the jurisdiction must specify its plan for reaching out to and consulting with homeless or formerly homeless individuals in considering policies and funding decisions regarding facilities and services funded under ESG.

KHC can meet this requirement, as KHC's subrecipients are required to include at least one homeless or formerly homeless individual on their Board of Directors, or as a participant on an advisory board that reports directly to the subrecipient agency's Board of Directors.

5. Describe performance standards for evaluating ESG.

KHC has implemented ESG Performance Standards for all subrecipient agencies. The primary outcomes KHC will monitor will be those established by HUD as part of the CoC System Performance Measures that are relevant to ESG programs, which includes:

- Reduction in the average and median length of time persons remain homeless;

- Reduction in the percent of persons who return to homelessness;
- Reduction in the number of persons who are homeless;
- Number of persons who become homeless for the first time;
- Successful placement from Street Outreach; and
- Successful placement in or retention of Permanent Housing

KHC will also focus on outcomes established in All In: The Federal Strategic Plan to Prevent and End Homelessness, which calls for coordinated efforts to end homelessness for veterans, youth, families, and chronically homeless in addition to persons experiencing homelessness overall.

**Housing Trust Fund (HTF)**  
**Reference 24 CFR 91.320(k)(5)**

1. How will the grantee distribute its HTF funds? Select all that apply:

Applications submitted by eligible recipients

2. If distributing HTF funds through grants to subgrantees, describe the method for distributing HTF funds through grants to subgrantees and how those funds will be made available to state agencies and/or units of general local government. If not distributing funds through grants to subgrantees, enter "N/A".

N/A

3. If distributing HTF funds by selecting applications submitted by eligible recipients,

a. Describe the eligibility requirements for recipients of HTF funds (as defined in 24 CFR § 93.2). If not distributing funds by selecting applications submitted by eligible recipients, enter "N/A".

Eligible recipients will be multifamily housing developers who meet KHC's capacity review and criteria for successful applications for funding for new construction or rehabilitation of affordable multifamily projects in Kentucky. Capacity is based on experience, compliance monitoring history, financial management, additional criteria related to the status of projects in process, uncorrected compliance findings or concerns (if any), success of current projects/properties, and credit rating of members of the development team.

To create consistency throughout the Corporation, KHC utilizes a Capacity Scorecard for all program areas that have a competitive application or formula grant allocation process. The scorecard determines the overall capacity of the Entity or Development Team member(s) that will administer the proposed project and/or program they are applying for. The scorecard is divided in to three sections: Capacity Scorecard Threshold Requirements, Capacity Scorecard Self-Certifications, and Capacity Scorecard Overall Performance.

Application submissions will be in response to the 2023 Tax-Exempt Bond Notice of Funding Availability and/or 2024 Low Income Housing Tax Credit (LIHTC) application round (and any successor notice if NHTF funds remain unallocated). Notification that applications are being accepted will be made via KHC's eGram service.

b. Describe the grantee's application requirements for eligible recipients to apply for HTF funds. If not distributing funds by selecting applications submitted by eligible recipients, enter "N/A".

Projects that have the highest scores based on the scoring criteria established for the 2024 LIHTC Funding Round and/or preferences set forth in the 2023 Tax-Exempt Bond NOFA will be considered for funding. Respondents must meet the requirements of the 2023-2024 Qualified Allocation Plan (QAP) and 2023-2024 Multifamily Guidelines located at:

<https://www.kyhousing.org/Partners/Developers/Multifamily/Pages/Applications-Guidelines-Scoring.aspx>.

c. Describe the selection criteria that the grantee will use to select applications submitted by eligible recipients. If not distributing funds by selecting applications submitted by eligible recipients, enter "N/A".

Application submissions will be in response to the 2024 Low-Income Housing Tax Credit (LIHTC) Funding Round and/or through a Tax-Exempt Bond Notice of Funding Availability (NOFA). Notification that applications are being accepted will be made via KHC's eGram service. The development team information received will be reviewed to ensure the development team has the capacity and financial strength to develop, construct and manage a LIHTC or tax-exempt bond project with HTF funds. Projects will also need to meet market absorption and market capture rate requirements as outlined in <https://www.kyhousing.org/Partners/Developers/Multifamily/Documents/MarketStudyRequirements.pdf>.

The required documentation received with each Tax-Exempt Bond NOFA response will be reviewed and evaluated for completeness, accuracy, and detail. After all NOFA responses have been reviewed, KHC's credit committee will meet to discuss and prioritize each response according to the number of funding

preferences the proposed project will meet. Projects which will address the greatest number of the preferences will be prioritized for funding until all available KHC funds have been allocated. Preferences include but are not limited to: equitable geographic distribution of KHC resources, projects with some form of rental assistance, projects repositioning under HUD's Rental Assistance Demonstration (RAD) Program, and innovative projects addressing the affordable housing needs of the Commonwealth.

The 2024 LIHTC application is competitive. Projects scoring the greatest number of points in their pool will be awarded first. Ten percent of the annual allocation will be awarded first to projects in which a nonprofit is materially participating as defined in Section 469 of the IRC. In addition to the housing credits allocated, successful applicants may be funded from other available sources for multifamily housing, including HOME, HTF, and state Affordable Housing Trust Fund. KHC's credit committee reviews final scoring prior to award announcements.

To see a full breakdown of applicant scoring please see the 2023-2024 Qualified Allocation Plan located at: <https://www.kyhousing.org/Partners/Developers/Multifamily/Pages/Applications-Guidelines-Scoring.aspx>.

d. Describe the grantee's required priority for funding based on geographic diversity (as defined by the grantee in the consolidated plan). If not distributing funds by selecting applications submitted by eligible recipients, enter "N/A".

KHC will make every effort to distribute HTF funds geographically. The ability to do so may be limited by the location of eligible applicants and projects that receive adequate scoring to be funded. KHC's credit committee reviews final scoring and awards to ensure geographic diversity.

e. Describe the grantee's required priority for funding based on the applicant's ability to obligate HTF funds and undertake eligible activities in a timely manner. If not distributing funds by selecting applications submitted by eligible recipients, enter "N/A".

Tax Exempt Bond projects must be completed and placed in service no later than 36 months after the date of the closing of all KHC funds. Recipients must present a project timeline demonstrating the ability to close on all funds requested, including any bond transaction within the specified timeframe.

LIHTC projects must place in service no later than the close of the second calendar year following the calendar year in which the allocation is made in accordance with IRC Section 42(h)(1)(E)(i).

f. Describe the grantee’s required priority for funding based on the extent to which the rental project has Federal, State, or local project-based rental assistance so that rents are affordable to extremely low-income families. If not distributing funds by selecting applications submitted by eligible recipients, enter “N/A”.

KHC's national HTF program includes a requirement that assisted units also include rental subsidy. An exception may be if the project is a mixed-income development or if funds remain unallocated after the issuance of a NOFA for national HTF funds. A second funding round to allocate remaining funds may not include this provision.

g. Describe the grantee’s required priority for funding based on the financial feasibility of the project beyond the required 30-year period. If not distributing funds by selecting applications submitted by eligible recipients, enter “N/A”.

A thorough review of the project's underwriting is completed prior to the funding award, which includes a review of a proposed 30-year proforma. KHC's underwriting model requires an appropriate vacancy rate, debt coverage ratio requirements, cash flow requirements, and required reserve for replacement deposits to ensure the long-term sustainability and financial feasibility for every project.

KHC's program includes a 30-year recorded land use restrictive covenant for all projects receiving national HTF Funding.

h. Describe the grantee’s required priority for funding based on the merits of the application in meeting the priority housing needs of the grantee (such as housing that is accessible to transit or employment centers, housing that includes green building and sustainable development features, or housing that serves special needs populations). If not distributing funds by selecting applications submitted by eligible recipients, enter “N/A”.

Application submissions will be in response to the 2024 Low Income Housing Tax Credit (LIHTC) Funding Round or through a Tax-Exempt Bond Notice of Funding Availability (NOFA). The 2023-2024 Qualified Allocation Plan uses data in many scoring items, including the percentage of units in the proposed development as compared to the number of affordable units in the county (supply), the percentage of households at or below 60% AMI in the county (demand) and scores from Enterprise’s Opportunity 360 tool on Housing Stability, Education, and Economic Security.

KHC understands the backlog of capital improvements in public housing throughout the Commonwealth, so a preference for projects repositioning under HUD's Rental Assistance Demonstration (RAD) Program

has been included in the Tax-Exempt Bond Notice of Funding Availability.

i. Describe the grantee’s required priority for funding based on the extent to which the application makes use of non-federal funding sources. If not distributing funds by selecting applications submitted by eligible recipients, enter “N/A”.

Application submissions will be in response to the 2024 Low Income Housing Tax Credit (LIHTC) Funding Round or through a Tax-Exempt Bond Notice of Funding Availability (NOFA). A substantial amount of private equity is created from the investors buying the credits and borrowers buying the bonds.

4. Does the grantee’s application require the applicant to include a description of the eligible activities to be conducted with HTF funds? If not distributing funds by selecting applications submitted by eligible recipients, select “N/A”.

Yes

5. Does the grantee’s application require that each eligible recipient certify that housing units assisted with HTF funds will comply with HTF requirements? If not distributing funds by selecting applications submitted by eligible recipients, select “N/A”.

Yes

**6. Performance Goals and Benchmarks.** The grantee has met the requirement to provide for performance goals and benchmarks against which the grantee will measure its progress, consistent with the grantee’s goals established under 24 CFR 91.315(b)(2), by including HTF in its housing goals in the housing table on the SP-45 Goals and AP-20 Annual Goals and Objectives screens.

Yes

**7. Maximum Per-unit Development Subsidy Amount for Housing Assisted with HTF Funds.** Enter or attach the grantee’s maximum per-unit development subsidy limits for housing assisted with HTF funds.

The limits must be adjusted for the number of bedrooms and the geographic location of the project. The limits must also be reasonable and based on actual costs of developing non-luxury housing in the area.

If the grantee will use existing limits developed for other federal programs such as the Low Income Housing Tax Credit (LIHTC) per unit cost limits, HOME's maximum per-unit subsidy amounts, and/or Public Housing Development Cost Limits (TDCs), it must include a description of how the HTF maximum per-unit development subsidy limits were established or a description of how existing limits developed for another program and being adopted for HTF meet the HTF requirements specified above.

Pursuant to HUD Notice 15-003, Interim Policy on Maximum Per-Unit Subsidy Limits for the HOME Program, KHC has elected to utilize the HOME per-unit limits for the HTF program, as provided by HUD which establishes the following per unit maximum:

0 Bedroom - \$159,754

1 Bedroom - \$183,132

2 Bedroom - \$222,694

3 Bedroom – \$288,094

4+ Bedroom – \$316,236

**8. Rehabilitation Standards.** The grantee must establish rehabilitation standards for all HTF-assisted housing rehabilitation activities that set forth the requirements that the housing must meet upon project completion. The grantee's description of its standards must be in sufficient detail to determine the required rehabilitation work including methods and materials. The standards may refer to applicable codes or they may establish requirements that exceed the minimum requirements of the codes. The grantee must attach its rehabilitation standards below.

In addition, the rehabilitation standards must address each of the following: health and safety; major systems; lead-based paint; accessibility; disaster mitigation (where relevant); state and local codes, ordinances, and zoning requirements; Uniform Physical Condition Standards; Capital Needs Assessments (if applicable); and broadband infrastructure (if applicable).

See attached Minimum Design Standards for New Construction, Adaptive Reuse, and Rehabilitation for Multifamily Attached Housing Units and Health and Safety Standards Chart.

The State's rehabilitation standards apply to all projects that will receive HTF funds.

**9. Resale or Recapture Guidelines.** Below, the grantee must enter (or attach) a description of the guidelines that will be used for resale or recapture of HTF funds when used to assist first-time homebuyers. If the grantee will not use HTF funds to assist first-time homebuyers, enter "N/A".

N/A

**10. HTF Affordable Homeownership Limits.** If the grantee intends to use HTF funds for homebuyer assistance and does not use the HTF affordable homeownership limits for the area provided by HUD, it must determine 95 percent of the median area purchase price and set forth the information in accordance with §93.305. If the grantee will not use HTF funds to assist first-time homebuyers, enter "N/A".

Any limitation or preference must not violate nondiscrimination requirements in § 93.350, and the grantee must not limit or give preferences to students. The grantee may permit rental housing owners to limit tenants or give a preference in accordance with § 93.303(d)(3) only if such limitation or preference is described in the action plan.

N/A

**12. Refinancing of Existing Debt.** Enter or attach the grantee's refinancing guidelines below. The guidelines describe the conditions under which the grantee will refinance existing debt. The grantee's refinancing guidelines must, at minimum, demonstrate that rehabilitation is the primary eligible activity and ensure that this requirement is met by establishing a minimum level of rehabilitation per unit or a required ratio between rehabilitation and refinancing. If the grantee will not refinance existing debt, enter "N/A."

N/A

**Discussion:**

CDBG Specific: Overall Benefit - A consecutive period of one, two or three years may be used to determine that a minimum overall benefit of 70% of CDBG funds is used to benefit persons of low and moderate income. Specify the years covered that include this Annual Action Plan: 2022, 2023, and 2024.

HOPWA Specific: Does the action plan identify the method for selecting project sponsors (including providing full access to grassroots faith-based and other community organizations)? YES

HTF Additional Information: There is no maximum award amount associated with the HTF program.

Additionally, information regarding the following can be found on the specified pages of the 2023-2024 Multifamily Guidelines attached to this Action Plan:

- Lead-Based Paint: pages 47, 53-54, 70
- Accessibility: page 112
- Disaster Mitigation: state building codes address earthquake resistant construction in higher risk zones; pages 31 and 47 of Multifamily Guidelines address flood plain
- State and local Codes, Ordinances, and Zoning Requirements: Minimum Design requires compliance with State and Local codes. Page 111 of Multifamily Guidelines addresses building codes; zoning is addressed on pages 27, 48, and 51
- Inspectable Areas and Observable Deficiencies from HUD's Uniform Physical Condition Standards identified by HUD as applicable to HTF-assisted housing: page 100
- Capital Needs Assessment: pages 32, 48, 93, 109, and 112-114 of Multifamily Guidelines address PCNA assessments and reserve accounts

## Attachments

# Citizen Participation Comments

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## Public Comment Period

The 2023 Consolidated Annual Action Plan for Kentucky's Block Grant Housing Programs is available for public comment from Monday, April 3, 2023, through Friday, May 5, 2023.

The Annual Action Plan is the Commonwealth's application and distribution plan for the U.S. Department of Housing and Urban Development (HUD) Office of Community Planning and Development (CPD) programs (CDBG, ESG, HOME, HOPWA, and HTF). Kentucky Housing Corporation (KHC) and the Department for Local Government are the agencies responsible for submission of the plan to HUD.

Kentucky has drafted the Annual Action Plan and is receiving written comments to obtain public input. Written comments will be accepted and, where applicable, will be incorporated into the document. The plan covers the period of July 1, 2023, to June 30, 2024.

The Annual Action Plan is available for review on [KHC's website](#).

Please send written comments to [corpplanreport@kyhousing.org](mailto:corpplanreport@kyhousing.org).

## Review the Annual Action Plan



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Annual Action Plan  
2023

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May 4, 2023

Ms. Erica Abrams Yan  
Corporation Planning and Accountability Department  
Kentucky Housing Corporation  
1231 Louisville Road  
Frankfort, KY 40601

RE: 2023 Action Plan Comments  
Email to [CorpPlanReport@kyhousing.org](mailto:CorpPlanReport@kyhousing.org)

Please accept our thanks for Kentucky Housing Corporation and the Department for Local Government for providing the opportunity to submit comments on the 2023 Action Plan. We would like share several comments on behalf of Fahe and our 15 nonprofit Members based in Appalachian counties for consideration related to the goals and vision for addressing the Commonwealth's housing needs. KY Members are dealing with issues such as continued high material costs and delivery delays that increases the overall development costs of housing across the Commonwealth as well as a devastating flooding event from July, 2022; we are hopeful that the investment of federal funding planned by KHC and DLG recognize the various market and physical issues being balanced by affordable housing providers.

Maintain affordable housing with housing resources HOME, NHTF

As has been part of the ongoing affordable housing conversation, there is a need for continued federal funding to stimulate and supplement the economy for impact in the housing market, and we know that these federal dollars as resources are always at risk. As Fahe Members work in the Appalachian counties of Eastern Kentucky, we face even more challenges than the balance of the Commonwealth with median incomes per county that are approximately half the national median income and poverty rates that are almost double the national average. We have used ARC data previously, from 2013-2017, identifying the number of persons below the poverty level in Appalachia of 4,017,654 (poverty rate of 16.3%); in Kentucky it was 783,586 (poverty rate of 18.3%); in Appalachian Kentucky it was 289,292 (poverty rate of 25.6%). For this period the national poverty rate was 14.6%. In Appalachian Kentucky the number of households with incomes below \$15,000 is estimated at 99,255 (34% or more than 1/3 of those living in poverty) and many units are substandard, cost burdened, or have inadequate plumbing or are overcrowded.

The income level of many families in the Eastern Kentucky area is a barrier to affordable housing and there is a shortage of affordable rental units in the region. The cost of rent for a modest two-bedroom apartment is out of reach of these financially burdened households

and their incomes are not sufficient to support the family moving to homeownership. Homeownership, the American Dream, is the mechanism through which Kentucky's low-income families accumulate wealth, build assets, and break intergenerational cycles of poverty. Serving this area of the Commonwealth requires deep subsidy and programmatic flexibility to meet underserved needs.

In persistent poverty counties (more than 20% of residents living in poverty) the average income is artificially depressed. Those households with income just over 80% of AMI in these communities are low income compared to national incomes and have no options for assistance. Fahe continues to advocate that the income limits for HUD programs in these counties should be increased to a national rate of 80% of the national median income.

In the Commonwealth of Kentucky we have 39 counties that are listed by USDA in Persistent Poverty. Twenty five (25) of these counties are located in the Fifth Congressional District. As KHC looks to the future adequate resources should be set aside to address the affordable housing needs of its citizens in these Persistent Poverty Counties. These counties are best served by single family housing.

The Appalachian region is rural and has a preference for homeownership which is not as prevalent in urban areas – in Eastern Kentucky there are homeownership rates close to 80%. Homeownership is a means to build wealth with equity in your home. It is important to recognize the need for homeownership; census data is available on rental units but not on homeowner units and doesn't provide a true picture of the housing need in Eastern Kentucky. As our population ages it will be economically wise to age in place as it will reduce the Commonwealth's expense of using Medicaid funding for some form of institutional living. KHC is promoting and building partnerships with other State offices; a pilot program with the Cabinet for Families and Children to address the housing rehab and adaptability needs of our aging boomers continues to be of interest to Fahe Members. KHC has done tremendous work with the Recovery Centers, the Scholar House program and other rental assistance programs and should be commended for thinking outside the box.

We appreciate KHC allocating more than the required 15% of HOME funds for CHDO use as this increases the capacity and production of nonprofits across Kentucky and particularly in Eastern Kentucky. Housing Contract Administration has been diligent to fund CHDOs who recycle HOME funds as CHDO proceeds to re-invest in housing their local communities. Fahe, as an intermediary, supports local nonprofits/CHDOs with expertise and consistent forms of capital to the nonprofits to ensure capacity is retained in the local communities. Fahe is in support of KHC maintaining CHDO operating funds for CHDO nonprofits to support internal organizational capacity including staffing and systems.

While KHC allocates resources for both rental and single-family development, the current corporate strategy directs resources to preserving multi-family units. The LIHTC program is a tremendous resource for the creation and preservation of affordable rental housing and soft sources such as HOME, AHTF and NHTF are important subsidy sources to be used in the development of affordable rental housing; it is unfortunate that the LIHTC program doesn't "pencil out" well in East Kentucky. Ensuring affordable rental housing is an important role for Kentucky Housing Corporation, on a small scale as well as larger developments; it was disappointing not to have a non-credit multi-family development round in 2022 and we

anticipate that Kentucky Housing Corporation is committed to having that type of multi-family opportunity in 2023.

Communities need both rental units and homeowner units; successful renters can become successful homeowners. Low income, cost burdened households are more likely to live in inadequate housing – lacking complete plumbing facilities, inadequate or no heat, no or sporadic electricity or exposed wiring, and/or has maintenance and upkeep issues (leaky roofs, holes in floors or walls and rodents). The decline in our region's housing stock and the large number of people who are cost-burdened is supported by the Appalachian Housing Needs Assessment that was completed by Virginia Center for Housing Research at Virginia Tech in 2019 (currently being updated). It is a concern that KHC's allocation of HOME and AHTF funds for single-family development as compared to the investment for multi-family development/preservation which KHC has identified as priority may negatively impact HOME activity in Eastern Kentucky where single-family development is a mainstay. Fahe encourages KHC to remain diligent in using equitable HOME funds for single-family production as well as multi-family housing.

The National Housing Trust Fund (NHTF) brought in additional dollars for the development of affordable housing in the Commonwealth; the NHTF is targeted to serve households at or below 30% of median. This resource doesn't often reach the Commonwealth's poorest counties primarily because it is too difficult for a rental development to "pencil out" financially without Rental Assistance when limited to households below 30%. The NHTF dollars could be used for homeownership activities (10%) such as production, preservation and rehab for first-time homebuyers which may present an opportunity to reach ELI families with homeownership opportunities as this income range is growing harder to serve with little to no housing options.

#### Community Development Block Grant

CDBG is a tremendous resource for communities for all program areas, but particularly the Housing program area for neighborhood or scattered site housing development and revitalization, for both single-family and rental housing development, and addressing homeowner rehab which is an overwhelming need. Most low and moderate income households don't have the ability to repay a loan and a CDBG forgivable note is a preferred type of financing for owner occupied rehab. We have found CDBG housing programs are successful due to the strong partnerships between local governments and affordable housing providers; always a win-win with public-private partnerships. We would encourage DLG to consider additional funding in the Housing program area and continue to fund the development of affordable housing, both homeownership and rental.

Many Eastern Kentucky communities could benefit by being able to submit applications in two program areas such as public facilities and housing which is not eligible currently. We would encourage consideration of local governments in ARC counties to be eligible to submit applications for two program areas to address the communities' needs.

Match requirements for housing in CDBG guidelines for priority one projects can be hard to meet particularly in rural communities where local governments and local non-profits may

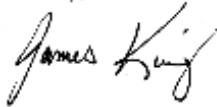
not have resources needed for match. We would encourage considering in-kind match such as property value in a project in addition to the cash/funding match options. Bringing CDBG and HOME to communities and families allows the affordable housing providers a way to leverage other funds for the homeowner – for purchase or for rehab – and with educational counseling, these homeowners are successful. As an average, the affordable housing providers have been able to provide 3 to 1 leverage for HOME funds invested in the region.

It is much appreciated that funds from the American Rescue Plan Act provided additional opportunities to serve the people in our communities. We are appreciative that Members and Fahe were able to partner to invest some of these funds for long-term impact that builds capacity locally and bolsters affordable housing activity for years to come.

Fahe would encourage KHC to consider the impact of HOME funds in the communities served by the affordable housing providers. We would also encourage KHC and DLG to continue to make efforts to engage the public, as well as Mayors and Judge Executives, for comments regarding the impact of HOME funding for homeownership and rehab activities as well as multi-family development in their communities. Broader engagement would result in additional support for HOME and CDBG housing activity.

Should KHC or DLG have any questions regarding these comments, or if Fahe can be of assistance, please don't hesitate to call.

Sincerely,



Jim King  
Fahe CEO

Sincerely,



Cassie Hudson  
Kentucky Caucus Chair

## Grantee Unique Appendices

### AP-65 Homeless and Other Special Needs Activities – 91.320(h)

#### Introduction

The state has undertaken a multi-pronged approach to ensure that homelessness is rare, brief, and non-recurring. Central to this approach is the creation of a state policy-advisory entity, the Kentucky Interagency Council on Homelessness (KICH). KICH is composed of representation from state government, nonprofit and advocacy agencies to collaborate and perform the following functions and duties:

- Serve as the single statewide homelessness planning and policy development resource for the Commonwealth of Kentucky.
- Review recommended changes and update Kentucky's Strategic Plan to End Homelessness.
- Monitor and oversee implementation of Kentucky's Strategic Plan to End Homelessness to ensure that accountability and results are consistent with the plan.
- Serve as a state clearinghouse for information on services and housing options for the homeless. Conduct other activities as appropriate.

Kentucky has three Continuum of Care geographic areas—Lexington (Fayette County), Louisville (Jefferson County) and the Kentucky Balance of State (KY BoS) (remaining 118 counties). KHC, as the Collaborative Applicant for the CoC Program for the KY BoS CoC, awards sub-grants to homeless service providers throughout the BoS. Through the CoC program, the ESG program, and other related programs such as the VA's SSVF program, persons experiencing homelessness or at-risk of homelessness can be served with supportive services, transitional housing, permanent supportive housing, rapid re-housing programs, and prevention, as appropriate. The KY BoS CoC is governed by an advisory board made up of representatives from the six regions within the KY BoS CoC as well as ex-officio members representing the Kentucky Coalition Against Domestic Violence (KCADV) and the Homeless and Housing Coalition of Kentucky (HHCK) and at-large members representing community organizations not funded through ESG or CoC. The Board works to improve collaboration, coordination, and system-wide performance in preventing and ending homelessness.

Working with the KY BoS CoC, KHC establishes scoring criteria for the CoC Competitive Application process that encourages projects to reallocate funds from transitional housing projects to permanent housing; adopt low barrier Housing First models that focus on quickly housing participants without setting preconditions such as participation in recovery programs or setting minimum income requirements that can keep people from getting off the streets and out of emergency shelters. As of 2018, one hundred percent of the KY BoS CoC program-funded projects are using the Housing First model. The KY BoS CoC has also adopted CPD Notice 16-11, which establishes the order of prioritization for chronically homeless and persons with the highest needs. This prioritization order is used by PSH projects in the BoS regardless of if their beds are formally dedicated for chronically homeless. The KY BoS CoC, through the CoC and ESG programs, has significantly increased its inventory of Rapid Rehousing (RRH) resources, which is particularly help for families experiencing homelessness. ESG CARES Act (ESG-CV) funding allowed RRH to be available throughout the 118-county Balance of State for the first time.

KHC's CoC programs, including those funded through ESG, are for families and individuals who, in addition to safe, decent, and affordable housing, need access to supportive services to stay housed

permanently. Supportive housing combines permanent, affordable housing with flexible support services to help the tenants stay housed and build the skills to live as independently as possible. The ESG program is used in part to provide emergency services when people experience crises. Through the KY BoS CoC system, emergency shelters work with permanent housing providers to quickly move people out of shelters and into permanent housing. By using a common assessment tool, the CoC can determine which clients have the highest level of need so that the most intensive resource, PSH, can be reserved for those cases. Rapid rehousing is an effective intervention for people needing less supportive services.

The KY BoS CoC, in partnership with Kentucky's other CoCs, are actively working towards meeting the goals set forth in All In: The Federal Strategic Plan to Prevent and End Homelessness. To meet these goals, the KY BoS CoC established the following objectives:

- Increase access to safe and affordable housing units for homeless families, individuals, and youth.
- Increase funding for and access to comprehensive supportive services that help assure housing stability and encourage self-sufficiency.
- Increase funding for prevention services to reduce the numbers of persons falling into homelessness.
- Increase scope and quality of data collection through the statewide Homeless Management Information System to document both project and system performance and continuing need.
- Implement a client-centered Coordinated Entry System to move people with the highest needs into permanent housing as quickly as possible.

**Describe the jurisdictions one-year goals and actions for reducing and ending homelessness including**

**Reaching out to homeless persons (especially unsheltered persons) and assessing their individual needs**

Because Kentucky is a primarily rural state, developing a single outreach plan to cover the full KY BoS CoC geographic area is a challenge. Many of the common places for rural, unsheltered homeless are remote and difficult to identify. Through the outreach efforts of the point-in-time count volunteers, the KY BoS CoC has been able to identify local people in each county most likely to know of rural homeless locations (i.e., police officers, mail carriers, school bus drivers, etc.). Additionally, working with the ESG subrecipients, KHC encourages inclusion of street outreach as an eligible use for the state ESG allocation. With the availability of federal ESG-CV funding, the KY BoS CoC has been able to expand street outreach activities. Training on the eligible uses of ESG street outreach funding was made available across the state. Furthermore, the KY BoS CoC is implementing a statewide Coordinated Entry System (CES) called "Any Door KY." Since the geographic area is so large, the CoC is implementing coordinated entry by using 15 smaller regional bodies called Local Prioritization Communities (LPCs), which mirror existing Area Development Districts (ADDs). All areas are utilizing a common assessment tool and are following policies and procedures adopted by the KY BoS CoC Advisory Board. Using the KYHMIS (Kentucky Homeless Management Information System), KHC serves as the lead entity for the KY BoS Coordinated Entry System. In November 2020, the KY BoS CoC revamped its implementation of the CES so that a dedicated KHC staff member is taking a more hands on responsibility for ensuring people are quickly connected with permanent housing through CES. This staff person manages referrals to the 15 LPCs of

eligible clients based on current KY BoS Prioritization criteria and availability of permanent housing resources funded by ESG and CoC. It remains KHC's goal to continuously improve quick access to permanent housing through the KY BoS CoC CES by making more timely referrals and better monitoring of housing placements, such as the length of time it takes projects to move people into housing once a CES referral is made. Four KY BoS CoC member agencies also continue to receive CoC Supportive Services Only (SSO) grants to support their work as Coordinated Entry leads in their regions, and in the 2021 CoC Competition the BoS CoC was awarded a coordinated entry grant to support BoS-wide housing navigation services and two new regional Coordinated Entry lead grants. KHC will continue to work closely with KICH, CoC and ESG agencies, other state agencies, and other service providers to increase coordination of efforts to maximize limited resources focused on homeless and special needs populations in the following areas:

- Supportive services including medical and mental health services
- Adequate discharge planning
- Homeless prevention funding
- Utilities assistance funding
- Connecting those in need of services to those who offer services.

#### **Addressing the emergency shelter and transitional housing needs of homeless persons**

While connecting people experiencing homelessness with stable, permanent housing is the goal of the KY BoS CoC's efforts, crisis housing through the provision of emergency shelter and transitional housing remains an essential component to the CoC's crisis response system.

KHC provides funding to more than 20 emergency shelters each year to support shelter operations (e.g., shelter maintenance, repairs, rent, insurance) and supportive services, which includes case management services to connect participants as quickly as possible to permanent housing.

In addition to the emergency shelters funded through ESG, the KY BoS CoC has established relationships with more than 50 non-funded shelters across the Balance of State. These shelters participate in the annual point-in-time count and are offered training opportunities provided by KHC on shelter best practices. Non-funded shelters are also encouraged to participate in the CoC's Coordinated Entry System to connect participants with housing resources funded through the CoC, ESG, VA Supportive Services for Veteran Families (SSVG), and the U.S. Department of Health and Family Services Runaway and Homeless Youth (RHY) programs.

In recent ESG funding rounds, including ESG-CV awards, KHC has allocated additional funding to Street Outreach to better identify people experiencing unsheltered homelessness and connect them with shelter while permanent housing is obtained. The Ky BoS CoC also partners with street outreach programs provided through the VA and PATH.

Shelters are strongly encouraged to reduce barriers to shelter entry (e.g., broad background checks, sobriety, having income) and to eliminate unnecessary rules for staying in the shelter. Shelters have been provided training through the National Alliance to End Homelessness (NAEH) Emergency Shelter Learning Series as well as free in-person and virtual housing-focused case management training provided through national technical assistance providers. Throughout FFY 2022 KHC will offer intensive homeless services best practices training to KY BoS CoC member agencies from OrgCode, Consulting

Inc., a firm recognized internationally for their expertise in evidence-based service delivery. In recent years, the KY BoS CoC has created four new Joint Transitional Housing-Rapid Rehousing (Joint TH-RRH) projects, including a large project funded through HUD's CoC Domestic Violence Bonus allocation (DV Bonus). These projects provide short-term transitional housing while participants are assisted in locating housing subsidized with RRH rental assistance or other support if needed. The transitional housing portion of these Joint TH-RRH projects operates as low-barrier crisis housing to provide a safe shelter while housing is identified. Following Housing First principles, participants are not required to participate in any programs (e.g., life skills classes, substance use recovery programs, etc.) to stay in the transitional housing units. Through KHC's annual CoC competition, Joint TH-RRH projects were selected from areas where no or insufficient emergency shelter existed. In HUD's 2021 CoC competition, the BoS CoC was awarded a grant expanding the DV Bonus Joint TH-RRH grant.

In addition, through the Youth Homelessness Demonstration Program (YHDP), two transitional housing projects were funded in the Southeastern Kentucky region of the KY BoS CoC. Also funded through YHDP is a large Supportive Services Only (SSO) project that provides assistance to Host Homes for youth needing crisis housing, especially in areas where emergency shelter or transitional housing units do not exist. The KY BoS CoC routinely provides letters or support for funding opportunities and on-going collaboration with transitional housing projects funded through the VA's Grant Per Diem Program and HHS RHY projects.

Lastly, through the provision of ESG CARES Act funding (ESG-CV), KHC has awarded \$3.2 million for emergency shelter activities to be provided up to September 30, 2023 (as funding allows, per the extension granted by HUD CPD Notice 22-06), specifically to prepare, prevent, and respond to coronavirus. Shelters, including many not already funded with annual ESG funds, are using funds to for such things as expanding hours, personal protection equipment (PPE) to participants and staff, hotel/motel rooms to quarantine people who are COVID+ or who have been exposed to the virus and for those who otherwise would be unsheltered without regular access to sanitization/hygiene facilities to practice regular handwashing and other CDC recommendations to socially distance from others. ESG-CV funds also supported new projects providing shelter using hotel/motel vouchers in communities without year-round shelters.

In March 2021, KHC awarded additional ESG-CV funds to support emergency shelter activities.

**Helping homeless persons (especially chronically homeless individuals and families, families with children, veterans and their families, and unaccompanied youth) make the transition to permanent housing and independent living, including shortening the period of time that individuals and families experience homelessness, facilitating access for homeless individuals and families to affordable housing units, and preventing individuals and families who were recently homeless from becoming homeless again**

By prioritizing ESG funds for use with Rapid Rehousing (RRH) programs and by working with the CoC to identify agencies to apply for new CoC RRH and PSH projects, resources are becoming better aligned with the need to reduce the time individuals and families remain homeless as well as giving them access to sustainable, permanent housing options. Through the CARES Act, KHC has awarded nearly \$15.1 million from its \$23.4 million ESG-CV allocation to support additional RRH projects, achieving for the first time the availability of RRH across all 118 counties within the KY BoS CoC.

Kentucky has a variety of services and housing that assist homeless veterans. Through the Kentucky Interagency Council on Homelessness, it has been successful in identifying resources and gaps in veterans' assistance. In addition, service providers are being linked with organizations serving veterans, both private (local SSVF programs) and public (VA Service Centers). With fourteen VASH programs and five SSVF programs operating in Kentucky, the services to veterans have never been more accessible as they are now. Additionally, both the Balance of State CoC and ESG applications provide scoring incentives for agencies targeting persons experiencing chronic homelessness. The CoC's Coordinated Entry System (CES) policies require people experiencing chronic homelessness to be priorities for permanent housing resources. Youth between the ages of 18-24 are assessed using the Transition Age Youth assessment tool (TAY-VISPDAT), which takes into consideration unique needs of youth.

Activities planned for the coming year to address housing needs of homeless individuals and families and to prevent low-income individuals and families from becoming homeless include the activities listed below.

Acquisition, construction, renovation, major rehabilitation, or conversion of structures for use as permanent supportive housing for homeless persons.

Payment of maintenance, operation, rent, repair, security, equipment, insurance, utilities, and furnishings of permanent housing. KHC is also partnering with HUD to take steps to end veteran homelessness in Kentucky.

KHC has dedicated housing assistance for 100 homeless Kentucky veterans through the Veterans Emerging Towards Transition (VETT) Program. Through the VETT program, KHC has a preference for 100 Housing Choice Vouchers (HCV) for qualified homeless veterans in the 87 counties KHC serves under the HCV program. This special assistance will help qualified veterans pay for housing and ultimately reduce the number of homeless veterans in Kentucky.

KHC has also created the Kentucky Moving On initiative in 2017. The program is a partnership with the Kentucky Balance of State Continuum of Care whereby persons currently in CoC-funded permanent supportive housing units who are no longer in need of intensive case management and supportive services may transition out of the PSH-funded resource into a Housing Choice Voucher within the community. The program allows people who have achieved housing stability to transition into community-based housing and frees up limited PSH resources for persons with more severe needs, such as those experiencing chronic homelessness.

Additionally, KHC was also awarded 200 Mainstream Vouchers in 2019 and an additional 100 in 2020 that can serve households with a non-elderly member with a disability. Referrals for this program are made by KY BoS CoC partners across the 118-county CoC. KHC has worked closely with CoC and ESG-funded agencies to refer participants in RRH programs so that those RRH limited resources can be used for people in experiencing unsheltered homelessness and those in emergency shelter to shorten the length of time people remain homeless.

In partnership with the KY BoS CoC, KHC's PHA program, and the state Cabinet for Health and Family Services (CHFS), KHC was awarded 100 Family Unification Program (FUP) vouchers. These vouchers are specifically for families in which the lack of housing is the reason why children are removed from the

parents or are about to be, as well as unaccompanied youth who are homeless that aged out of the foster system. Services for these families and youth are provided by CHFS.

The American Rescue Plan Act (ARPA) of 2021 created the Emergency Housing Voucher (EHV) program to assist individuals and families who are homeless, at-risk of homelessness, fleeing, or attempting to flee, domestic violence, dating violence, sexual assault, stalking, or human trafficking, or were recently homeless or have a high risk of housing instability. PHAs serving the KY BoS CoC received a total of 362 EHVs, with 257 vouchers allocated to KHC's PHA program and 15 vouchers allocated to each of the following small city/rural PHAs: Housing Authority of Somerset; Housing Authority of Glasgow; Housing Authority of Paintsville; Housing Authority of Mayfield; Housing Authority of Springfield; the City of Richmond Section 8 Housing Program; and the Pineville/Bell County Community Development Agency. The KY BoS CoC has executed Memoranda of Understanding with each of these PHAs to refer eligible households for EHVs via the Coordinated Entry System (CES). Unaccompanied and parenting youth also have access to crisis and permanent housing, as well as ongoing youth-specific supportive services through 5 Youth Homelessness Demonstration Program (YHDP) projects in Southeastern Kentucky. Lessons learned from the YHDP project will be implemented in other projects across the KY BoS CoC over the coming years, including emphasis on connecting youth to peer support, opportunities for community involvement, and focus on the social/emotional well-being of youth in addition to immediate housing needs.

For all ESG and CoC-funded projects, agencies are required to provide supportive services to help participants obtain and maintain permanent housing. Specially, all RRH projects are required to implement the National Alliance to End Homelessness (NAEH) RRH standards, which includes assistance in locating housing (e.g., landlord outreach), access to rental assistance consistent with the household's specific needs, and on-going case management to ensure participants are able to maintain housing even when the rental assistance ends. ESG-RRH agencies are required to provide at least 3-months of case management after rental assistance ends to assistance participants transition to stable housing. All ESG-CV RRH recipients are required to re-evaluate participant's income every three months, to determine if additional subsidy is needed or if participants are able to take on more of their own rent.

**Helping low-income individuals and families avoid becoming homeless, especially extremely low-income individuals and families and those who are: being discharged from publicly funded institutions and systems of care (such as health care facilities, mental health facilities, foster care and other youth facilities, and corrections programs and institutions); or, receiving assistance from public or private agencies that address housing, health, social services, employment, education, or youth needs**

Under the Emergency Solutions Grants program, the state continues to allow funds to be allocated to Homelessness Prevention. Through ESG-CV funds, KHC has been able to allocate significantly more funds for Prevention activities. Since Congress appropriated a large amount of funds for emergency rental assistance, KHC is targeting nearly \$2.6 million in ESG-CV Prevention funds to people who were not protected under eviction moratoria and who do not qualify for federal emergency rental assistance, implemented in the Kentucky Balance of State through the Healthy at Home Eviction Relief Fund.

The KY BoS CoC collaborates with the Cabinet for Health and Family Services (CHFS), which implements discharge planning for youth who age out of foster care. Independent living coordinators and Cabinet social workers develop a transition plan help to identify appropriate, sustainable housing options prior to discharge from foster care, giving them access to stable housing through age 21. CHFS provides up to

six months of initial rental assistance plus an additional six months if needed, through the Chafee Room & Board program. Recent HMIS data show that less than one percent of persons in emergency shelter had come from foster care placement.

Discharge planning efforts from health-care facilities in Kentucky takes place according to the health-care venue and/or program. Kentucky participates in Medicaid and Medicare programs and is required to adhere to all applicable standards of care, including discharge. The Center for Medicaid and Medicare Services (CMS) Condition of Participation requires that hospitals must have in effect a discharge planning process that applies to all patients. The evaluation process includes determining an appropriate discharge site. A very small percentage of persons exiting health-care facilities are discharged to homeless programs. The State has established a policy to prevent individuals with serious mental illness from being discharged into homelessness. Instead, the policy requires discharge from inpatient psychiatric hospital settings and other facilities to permanent community-based housing. Facility staff collaborate with family members, guardians, service providers and others to ensure that discharge planning begins upon admission, that the individual's preferences are honored through person-centered planning and that every effort be made for community integration in housing and services. The majority of persons discharged from state psychiatric hospitals return to their own homes. The Cabinet for Health and Family Services Department for Behavioral Health, Developmental and Intellectual Disabilities Olmstead Housing Initiative is expected to assist nearly 150 persons this year through a combination of rental assistance vouchers and permanent supportive housing rental units.

The Department of Corrections' discharge policy and procedures ensure every effort to secure safe housing for offenders prior to release from incarceration. The first option is to determine if the individual can return to his/her home; then to consider housing options with family or friends. Many offenders recognize that returning home may not allow them to be successful, and they choose to secure a home placement in a transitional living facility. The transitional housing may have specific requirements and seeks to assist the offender in his/her reentry process. Offenders typically return to home placements with family or friends. The Department of Corrections works directly with contracted halfway houses (re-entry centers) when a family member or friend is not available to support the offenders' transition into the community. The Recovery Kentucky program assists persons who have substance abuse dependencies. The recovery centers are funded by the Department of Local Government, Kentucky Housing Corporation, the Department of Corrections, and other community funds and are expected to assist more than 1,400 persons this year. Community Development Block Grant (CDBG) funds provide program services funding and KHC rental assistance funding supports 13 Recovery centers across the state.

#### **Discussion**

KHC will continue to provide technical assistance and training to HIV/AIDS housing and service providers to increase capacity. Also, HOPWA grantees are encouraged to participate in the KY BoS CoC Coordinated Entry System where they may be more successful in partnering services and housing with other providers who may serve the same or similar populations.

Formula HOME and HTF funds may be awarded to projects serving special needs and/or homeless populations. In FFY 2023, KHC will also continue deployment of \$51.7 million in HOME-ARP funds to assist individuals or households who are homeless, at risk of homelessness, and other vulnerable populations, by funding supportive housing development, supportive services, and street outreach.

## Analysis of Impediments Appendix

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The Commonwealth of Kentucky's most recent Analysis of Impediments to Fair Housing Choice (AI) was completed in April 2020 and currently serves as the guiding document for Kentucky Housing Corporation (KHC) in affirmatively furthering fair housing<sup>1</sup>. In addition to highlighting the successes of the prior AI, the newest AI makes specific recommendations to KHC in the areas of fair housing education and outreach, expansion and preservation of affordable housing, enforcement of design and construction requirements, and access to programs and services for populations with limited English proficiency. KHC's work toward implementing these recommendations is discussed below.

### Fair Housing Education and Outreach

The first recommendation in the AI encourages KHC to continue its fair housing education and outreach efforts. Unfortunately, discriminatory practices can be subtle and may not be detected by someone who does not have the benefit of comparing his or her treatment with that of another home seeker. Other times, persons may be aware that they are being discriminated against, but they may not be aware that the discrimination is against the law and that there are legal remedies to address the discrimination. Therefore, education, information, and referrals regarding fair housing issues remain critical to equip persons with the ability to avoid fair housing impediments.

The following chart identifies the specific recommendations made to KHC regarding fair housing education and outreach and a summary of KHC's ongoing efforts to accomplish those goals:

Recommendation	Summary of Efforts Toward Recommendation
Continue to financially and administratively support bilingual housing counseling and education efforts.	KHC remains committed to financially and administratively supporting bilingual housing counseling and education efforts. It is KHC's consistent practice to identify and partner with agencies in the Commonwealth who successfully provide bilingual housing counseling and education to the populations KHC serves, including REACH, Inc. (statewide), Brighton Center (statewide), Kentucky Refugees Ministries (statewide), Louisville Urban League (Jefferson County), Housing Partnership Inc

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<sup>1</sup> A complete copy of the Commonwealth of Kentucky's most recent Analysis of Impediments can be found on KHC's website at [https://www.kyhousing.org/Planning-Documents/Documents/Kentucky%20Statewide%20AI\\_04.29.20\\_FINAL.pdf#search=analysis](https://www.kyhousing.org/Planning-Documents/Documents/Kentucky%20Statewide%20AI_04.29.20_FINAL.pdf#search=analysis).

	<p>(Jefferson County), and other similar organizations throughout the Commonwealth who can service LEP clients. Beyond that, all counseling agencies must have a Language Access Plan to address how they will provide services to LEP clients.</p> <p>KHC contracts with three translation companies – Catholic Charities, iiWA Inc. And International Center of Kentucky – to provide interpretation and translation services for any interactions with non-English-speaking customers, partners, or members of the public. To identify that need, KHC posted “I Speak” posters at the front desk and gave KHC customer service representatives those cards to allow non-English speaking callers the ability to indicate that they need language interpreting services and give KHC staff members the opportunity to call one of our contracting agencies.</p> <p>KHC continues to offer document, fliers and marketing materials in Spanish and has a Spanish section of its website. Its external website and Homeownership Protection Center site have accessibility options for those needing to translate the site or to increase the font, adjust the brightness or a host of other options for special needs individuals.</p> <p>KHC continues to celebrate April as Fair Housing Month by posting on social media about how the public can spot unfair housing practices and file a fair housing complaint. The posts helped raise awareness about the need for fair housing and how people can ensure that all Kentuckians have access to fair, affordable housing, whether they live in an apartment, home, nursing home, residence hall, or other space. New in 2023, KHC recorded a podcast with Drew Bowling of Kentucky Fair Housing Council to discuss fair housing practices and how to report suspected violations.</p>
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<p>Continue to promote and market the “Simply Home” exhibit to municipalities and institutions across Kentucky as a vehicle for fair housing education and outreach.</p>	<p>KHC curated a “Simply Home” exhibit to showcase the faces of affordable housing and to educate residents in the Commonwealth about how affordable housing creates good neighbors. Organizations may request this exhibit for showings in an accessible place by the public. Civic organizations, libraries, museums, and other places that can accommodate the floor space for the 24-foot by 34-foot exhibit and consider the 4-foot accessibility for compliance with American Disabilities Act are great showcases for the exhibit. KHC staff will deliver and set up the exhibit onsite, free of charge, as a service to the Commonwealth. This educational effort serves in part to reduce resistance to affordable housing.</p> <p>KHC hopes to showcase this exhibit to a greater extent as more buildings, gatherings and conferences are conducted now that many of the coronavirus pandemic restrictions are lifted.</p>
<p>Continue to collaborate with the Kentucky Commission on Human Rights and Kentucky Fair Housing Council, Inc. to expand education and outreach efforts and to identify gaps in need of additional efforts.</p>	<p>KHC continues to maintain its strong working relationships with the Kentucky Fair Housing Council, the Kentucky Commission on Human Rights, and similar agencies and organizations that handle fair housing matters. KHC uses these relationships as a referral network when fair housing complaints are reported to KHC. KHC also collaborates with these groups on how to address fair housing issues when they arise.</p> <p>KHC continues to provide monetary and administrative support to these fair housing organizations for their trainings and other activities. For example, KHC staff participated in the Lexington Fair Housing Council’s April 2023 fair housing training event, which was held virtually. The training was designed for landlords, property managers, and service providers, but anyone who wanted to learn more about fair housing rights had the ability to attend.</p> <p>Finally, KHC provides operating grants to several organizations advancing fair housing in Kentucky,</p>

	including the Homeless and Housing Coalition of Kentucky, Metropolitan Housing Coalition, Kentucky Fair Housing Council, and other nonprofits across the state.
Continue the marketing, outreach, and engagement activities with multicultural populations across Kentucky via the Multicultural Customer Service and Outreach Coordinator.	To remain focused on bilingual housing counseling and education and support and engage multicultural populations in the Commonwealth, the duties of the MCSOC are performed by the Mortgage Production Administrators. They coordinate marketing, outreach, education, and engagement activities and review KHC's internal policies and practices to ensure multicultural populations are effectively served.

In addition, KHC has worked to increase access to fair housing and fair housing education across the Commonwealth in the following ways:

- KHC’s diversity, equity, and inclusion committee continues to expand KHC cultural sensitivity and awareness both internally and externally. This Committee, with the efforts of a hired consultant, examined KHC’s internal culture by conducting a staff survey and conducted training for staff on what diversity, equity, and inclusion is, how it affects our everyday lives, and how to be aware of and eliminate unconscious bias. The Committee is also undertaking initiatives to include diversity, equity, and inclusion considerations in the relationships with KHC’s partners, contractors, and grantees externally.
- KHC employees continue to receive fair housing training at orientation and various departments are involved in KHC’s Title VI self-survey process annually.
- KHC also added new features to its website that makes it easier to navigate for visitors that may have seizures, vision impairments, cognitive disabilities, or ADHD. The display, content, sizing, font, and other features can now be adjusted making it more user friendly. This was also added to the Homeownership Protection Center site to accommodate people seeking information about the Homeownership Assistance Fund.
- As an administrator of housing programs, KHC provides educational and technical assistance regarding fair housing whenever possible. KHC continues to include fair housing information in all contracts with subrecipients. At the program level, KHC continues to work with all its sub-recipients who receive pass-through federal funding to expand minority participation. To ensure compliance, KHC annually implements the Title VI self-survey by sending it to recipients receiving funding. The KHC fair housing coordinator oversees the Title VI survey process, with program recipients’ responses carefully evaluated for compliance. Any survey response which is not satisfactory is sent back for further review, clarification, or investigation as needed. As part of its ongoing Title VI review efforts, KHC requires that agencies who indicate that their boards fail to have any minority members must also provide KHC with an explanation as to why.

### Expansion and Preservation of Affordable Housing in a Variety of Locations

The second charge in the AI asks KHC to focus on the expansion and preservation of affordable housing in diverse areas across the Commonwealth. The following chart identifies the specific recommendations made to KHC and a summary of KHC’s ongoing efforts to meet the recommendations:

Recommendation	Summary of Efforts Toward Recommendation
Continue to allocate LIHTC funding to projects that prioritize higher opportunity areas and avoid concentrations of affordable housing.	The current AI discusses in detail the significant impediment created when affordable housing developments are concentrated in R/ECAP areas (predominately minority areas with high poverty). KHC’s planning documents address this issue in detail.

	<p>First, KHC’s Qualified Allocation Plan (QAP) gives preference to projects that contribute to a concerted community revitalization plan. It also includes significant developer incentives to expand housing choice in higher opportunity areas, including areas where high job growth is anticipated and areas that score well on the Enterprise Opportunity 360 Report in the areas of Housing Stability, Education, and Economic Security. In a largely rural state like Kentucky, however, the need for creating new, decent, and safe affordable housing in rural areas is also great. KHC continues to work to strike a balance between the two. KHC also offers scoring incentives for siting projects in low-poverty census tracts and in counties where there are fewer affordable units available.</p> <p>KHC’s Multifamily Guidelines provide that urban projects proposing to create new units in a qualified census tract must submit a copy of the local jurisdiction’s overall plan for revitalization, community development, and/or economic development that meet certain criteria.</p> <p>To continue to discourage high concentrations of affordable housing, the QAP deducts scoring points for new-build projects that are located within .5 miles (for urban projects) and 3 miles (for rural projects) of another tax credit project that has been approved in the previous 2 years and which targets the same tenants as that project.</p>
<p>Continue the Down Payment Closing Cost Assistance Program and the Homebuyer Loan Program for income-eligible homebuyers.</p> <p>Evaluate a preference for low- and moderate homeowners in neighborhoods at risk for displacement due to gentrification.</p>	<p>KHC recognizes that down payments, closing costs, and prepaids are stumbling blocks for many potential home buyers. Our Down payment Assistance Program (DAP) provides a path around those barriers to homeownership. Additionally, when it is possible and allowable, KHC may leverage its DAP with other existing community programs to expand further the access to homeownership. To assist more potential home buyers with inflation and increasing home prices</p>

	and property taxes, KHC recently increased the allowable amounts for its DAP program.
Continue the Homeowner Rehab Program and the Weatherization Assistance Program to preserve the existing affordable housing inventory and lower homeowner costs. Evaluate a preference for low- and moderate-income homeowners in neighborhoods at risk for displacement due to gentrification.	<p>KHC awarded a little over \$2,000,000 in the state's Affordable Housing Trust Funds (AHTF) for home repairs, which results in more than 80 units with repairs.</p> <p>KHC awarded 20 subgrantees over \$15,000,000 in weatherization funding for FY22 to install energy saving measures in over 450 units. To ensure measures are installed correctly, crews and contractors receive training that KHC's Residential Energy Efficient Training Center and Quality Control Inspectors inspect each unit upon completion for quality of work. In addition to this regular formula funding, KHC expects to receive almost \$52 million in Bi-partisan Infrastructure Law funding for weatherization in FY 23.</p>
Continue to advocate for affordable housing resources among local, State and Congressional delegations.	KHC remains committed to its legislative advocacy at the federal and state level. Efforts have included monitoring legislation at the federal and state level, providing comments to state legislation, sending legislative advocacy letters to its federal congressional delegation, and joining in legislative advocacy letters to members of Congress drafted by the National Council of State Housing Agencies.
Continue the Tenant-based and Project-based Rental Assistance Programs to ensure affordable rental assistance for protected classes across the Commonwealth, including assistance to individuals with disabilities and/or recovering from substance abuse.	KHC's Tenant-based and Project-based rental assistance programs continue to assist thousands of Kentuckians find safe, affordable housing. The housing choice voucher (HCV) program often focuses on those with the greatest need, including individuals with disabilities, that are homeless, and those recovering from substance abuse. As an example, the Recovery Kentucky program remains a source of support for hundreds of individuals recovering from substance abuse. Additionally, since August 2022, the HCV program has been awarded 47 Fair Share Vouchers to assist survivors of domestic violence, or individuals and families who are homeless, as defined in section 103(a) of the McKinney-Vento

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	<p>Homeless Assistance Act (42 U.S.C. 11302(a)), or at risk of homelessness, as defined in section 401(1) of such Act (42 U.S.C. 11360(1)). KHC was awarded an additional 12 Veterans Affairs Supportive Housing vouchers since November 2022 to assist homeless veterans.</p> <p>KHC also recently co-hosted the Housing Management Conference for Kentucky and offered attendees, particularly property management staff, fair housing training sessions to educate them about their fair housing obligations.</p> <p>Additionally, KHC's Multifamily department continues to require all applicants requesting federal funding to submit an Affirmative Fair Housing Marketing Plan (properties with five or more units), Fair Housing Plan, Title VI Self-Survey and Statement of Assurance, and a Section 504 Self-Evaluation.</p> <p>All Multifamily applicants requesting any type of KHC funding must provide a Tenant Selection Plan and a sample of their Tenant Lease, which must adhere to the Uniform Residential Landlord Tenant Act (URLTA).</p>
<p>Continue to seek Continuum of Care funding for rapid-rehousing and permanent supportive housing developments that provide affordable housing options and related services for protected classes.</p>	<p>In the 2021 Continuum of Care competition, the Kentucky Balance of State Continuum of Care (KY BoS CoC) picked up two new regional Permanent Supportive Housing (PSH) projects, in Northern and Central Kentucky. The KY BoS CoC also approved an expansion project on an existing Permanent Supportive Housing program in Western Kentucky which will allow more chronically homeless households to be served with vital PSH resources in the region.</p> <p>Additionally, the KY BoS CoC was awarded approximately \$1,500,000 in Domestic Violence Bonus projects. This funded an expansion of Rapid Re-Housing resources for survivors of domestic violence throughout the 118-county KY BoS CoC.</p>

	<p>In the 2022 Continuum of Care Special NOFO for Unsheltered and Rural Homelessness, the KY BoS CoC was awarded \$1,70,647 to support 3 new PSH projects serving rural communities.</p> <p>In the 2022 Continuum of Care competition, the KY BoS CoC was awarded one new PSH project and the expansion of one existing PSH project and one Rapid Re-Housing project.</p> <p>Other efforts to expand and preserve Rapid Re-Housing include the ESG CARES Act (ESG-CV) allocation to KHC. KHC allocated the majority of ESG-CV funds to additional Rapid Re-Housing projects. This significantly increased the availability of permanent housing assistance for people experiencing homelessness. With the CARES Act allocations of ESG funds, the KY BoS CoC has been able to build Rapid Re-Housing coverage across the entire 118 county Continuum for the first time in its history.</p>
<p>Evaluate tools and methods to connect people to housing, such as housing service locator tools.</p>	<p>While expanding and preserving permanent housing options via the Continuum of Care (CoC) and Emergency Solutions Grants (ESG) programs, KHC has contracted with Padmission, LLC to develop a Kentucky Balance of State (KY BoS) centralized landlord engagement and Permanent Supportive Housing (PSH)/Rapid Re-Housing (RRH)/Housing Choice Voucher (HCV) housing location platform. This tool will support both the 118-county KY BoS CoC and KHC's HCV program that serves 87 counties. Padmission will allow landlords to update vacancies in real time, identify which programs they will accept, and provide unit pictures and specifications to streamline the housing search process for case managers and tenants alike. KHC hired a KY BoS Housing Navigation Specialist to serve as the Padmission Administrator, as well as to assist BoS providers with trouble shooting housing navigation and provide program and landlord training across the KY BoS CoC. Additionally, KHC</p>

	<p>received a new Coordinated Entry-Supportive Services Only grant in the 2021 CoC competition to help support this important housing navigation work in the BoS CoC.</p> <p>In 2022, KHC also launched the Housing Connector program, which is designed to provide housing application and navigation services to households with a history of homelessness using Mainstream and Emergency Housing Vouchers. In the 2022 Continuum of Care Special NOFO, Kentucky Housing Corporation was funded to support Housing Connector services in rural areas for those using these specialized vouchers and new rural PSH vouchers.</p>
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In addition, KHC has worked to increase expansion and preservation of affordable housing across the Commonwealth in the following ways:

- KHC has been hard at work to address the housing needs of Kentuckians impacted by the coronavirus pandemic. From September 2020 through January 2021, using state discretionary coronavirus relief funds, KHC helped 4,140 households avoid eviction with nearly \$15 million in rental assistance through phase one of the Healthy at Home Eviction Relief Fund (HHERF). Using US Treasury funding from the Emergency Rental Assistance 1.0 (ERA1) program funded under the Consolidated Appropriations Act of 2021 and the Emergency Rental Assistance 2.0 (ERA2) program funded under the American Rescue Plan Act of 2021 to continue the HHERF program, KHC provided 57,742 Kentucky households with \$227 million in rent assistance and \$26.6 million in utility assistance from March 2021 through February 2023 via phase 2 of HHERF. Additionally, KHC allocated \$45.6 million in ERA1 funding and \$54 million in ERA2 funding to Louisville/Jefferson County Metro Government and Lexington/Fayette Urban County Government for their emergency rental assistance programs. Even though the HHERF program closed to new applications in January 2023, KHC will continue to use remaining ERA2 funding to sustain Kentuckians' housing stability by 1) continuing an Eviction Diversion Program for households with active eviction cases in court; 2) funding legal assistance for those facing eviction cases; and 3) continuing several homelessness prevention and rapid rehousing activities initially funded under the Emergency Solutions Grant CARES Act (ESG-CV) program.

### Enforcement of Design and Construction Requirements

Thirdly the AI encourages KHC to enforce its design and construction requirements in a way that fosters fair housing. The following chart identifies the specific recommendations made to KHC and a summary of KHC's ongoing efforts to meet the recommendations:

Recommendation	Summary of Efforts Toward Recommendation
Expand the Certification of Compliance with Design	KHC requires all projects to complete a Certificate of Compliance with Design Requirements.
Requirements for Accessible Housing to require that general contractors involved in the design and construction of new multifamily residential properties sign the certification form, in addition to owners/developers and architects.	Accessible Housing certifying that the design complies with all applicable accessibility of 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 ADA Accessibility Guidelines, and any other applicable state or local codes. The document must be signed by the architect, general contractor, and the owner of the project. The completed certificate is required at the Technical Submission stage and serves as a guiding document throughout the project.

<p>Continue allocation of funding to projects that include accessibility design features such as aging-in- place, Universal Design, ADA and UFAS construction standards.</p>	<p>To further encourage aging in place design features in multifamily senior housing, KHC continues to offer a scoring preference for applicants requesting funding in its competitive applications. Specifically, KHC offers points to projects which provide features to enhance a senior’s living environment or promote aging in place, including modified kitchens, bathrooms, lighting, and common areas. Scoring points are alternatively available for projects located in counties with a high percentage of seniors.</p> <p>KHC’s Minimum Design Guidelines incorporate the requirements of state and federal laws pertaining to accessibility, including Section 504 of the Rehabilitation Act of 1973 and the ADA. Further, KHC imposes a Universal Design standard that incorporates features such as wider doorways and hallways, lower thresholds, shorter reach ranges, blocking for grab bars, lever faucets and doors. By making these features inherent to the construction, it allows people stay in their homes (single family and rental units) when mobility issues force the use of a wheelchair.</p> <p>Projects receiving federal funds also are required to conduct a Section 504 Self-Evaluation of all aspects of an organization, including its buildings, program outreach and communication, eligibility and admission criteria, percentage of accessible units, etc. A person with disabilities or a representative from an agency that serves persons with disabilities must assist the applicant in completing the self-evaluation. This document is required at the Technical Submission stage of a project and is reviewed by KHC’s Legal Team for compliance.</p>
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In addition, KHC has taken the following measures to promote fair housing across the Commonwealth through its design and construction standards:

- KHC funding applications require applicants to continue to identify which impediments in the AI

their projects will work to eliminate, and how they plan to do so.

- KHC Minimum Design Standards maintain mandates that all dwelling units must have the ability to connect to the internet by telephone connection, cable modem, or a secured wireless connection provided by the property. All dwelling units and common areas accessible by the residents must be supplied with signal strength adequate for connection to the internet.
- KHC adopted the protections afforded under the HUD Equal Access Rule and requires any partner applying for KHC funding to adhere to them, whether they originate from HUD or from some other source. KHC reviews documentation from our partners to ensure that they prohibit the denial of access to housing based on actual or perceived sexual orientation, gender identity, or marital status.
- KHC remains committed to ensuring our partners comply with the requirements of the Violence Against Women Act (VAWA) by requiring our partners to provide all tenants with information about their rights under VAWA when they apply for housing or funding. KHC also upholds our VAWA Emergency Transfer Plan, which was incorporated into our Administrative Plan, describing who may be eligible for an emergency transfer, the emergency transfer process, confidentiality protections, and guidance to tenants on safety and security. KHC continues to require developers and management companies to develop and submit an Emergency Transfer Plan to KHC.

### Access to Programs and Services for Populations with Limited English Proficiency

The final recommendation in the AI leads KHC to ensure that its programs and services are accessible to populations with limited English proficiency (LEP). The following chart lists the recommendations made to KHC and a summary of KHC's ongoing efforts to meet the recommendations:

Recommendation	Summary of Efforts Toward Recommendation
<p>Annually update the Language Access Plan to reflect a review of any demographic changes statewide and for each county, and the results of monitoring for the effectiveness of the plan's implementation.</p>	<p>KHC's practice is to update its Language Access Plan (LAP) annually. The most recent version, which was updated on January 11, 2023, can be found on KHC's website at <a href="https://www.kyhousing.org/Planning-Documents/Documents/Language-Access-Plan-Kentucky.pdf">https://www.kyhousing.org/Planning-Documents/Documents/Language-Access-Plan-Kentucky.pdf</a>. KHC updated its internal website to include guides and aids to assist employees that may interact with limited English proficiency persons (LEP). Trainings are being developed to teach employees about KHC's LAP more and increase outreach with LEP populations.</p>
<p>Evaluate collecting preferred language data at time of single- family loan origination to provide improved loan servicing to LEP populations.</p>	<p>To assist first time homebuyers with LEP to make informed decisions during their home mortgage loan process and to provide improved loan servicing to LEP populations, KHC's Single Family Programs added some language preference features to its new Loan Origination System (LOS). KHC can now easily identify the preferred language for its borrowers. KHC recruited several bi-lingual staff to communicate with borrowers in their preferred language.</p>

In addition to the work outlined above, KHC offers the following additional information pertinent to its ongoing efforts to serve the LEP population in the Commonwealth:

- KHC continuously engages in other activities designed to serve LEP populations by issuing information and guidance to its homeowner clients in Spanish.
- KHC continued its efforts to reach multicultural populations in all its programming, including the Homeowner Assistance Fund necessitated by the coronavirus pandemic. KHC offers informational documents in Spanish and the Communications team produced an informational video with subtitles for LEP applicants.
- KHC continues to translate its communication materials for nonnative speakers including offering Google Translate as a function on its external website and eGrams, translated documents in a Spanish section of its website, and Spanish videos and videos with Spanish subtitles on YouTube. Fliers for the Healthy at Home Eviction Relief Fund and Homeowner

Assistance Fund were both created in Spanish and distributed to agencies referring clients to both programs.

- KHC's AI was translated into Spanish. Similar translation continues to be done on the K-Count, which is a point-in-time count of the Kentucky homeless population; the KY Balance of State Continuum of Care Survey; and all KHC public notices. The KHC Section 8 tenant portal provides information available in Spanish.
- Direct assistance to LEP clients is provided by KHC onsite staff with interpretation skills. KHC recruited several bi-lingual staff to easily communicate with borrowers in their preferred language. Outside interpretation services are utilized if KHC staff are unable to assist, including iiWA, LLC, Catholic Charities of Louisville, The International Center at Bowling Green, [www.languageline.com](http://www.languageline.com), and interpreters on state contract.
- KHC continues to produce videos with English subtitles for those with limited hearing and in Spanish for LEP customers.
- KHC's LEP efforts have helped more Hispanic households with LEP in Kentucky achieve homeownership as testimonials from KHC's partners continue to reiterate that KHC's translated materials are extremely useful for outreach, training, and other housing events.

## **HOME Homebuyer Program Recapture Provisions**

Kentucky Housing Corporation (KHC) awards HOME Homebuyer development funds via competitive application to community-based agencies acting as developers statewide. HOME-funded developers will advise homebuyer clients prior to committing HOME funds that Recapture Provisions will apply and that the homebuyer must execute a *HOME Investment Partnership Program Homebuyer Written Agreement* with KHC that includes those recapture provisions at closing. The *HOME Investment Partnership Program Mortgage* and *HOME Investment Partnership Program Promissory Note* recorded for each homebuyer require compliance with the executed *HOME Investment Partnership Program Homebuyer Written Agreement*. Through the *Kentucky Housing Corporation HOME Investment Partnership Program Single Family Developer Written Agreement* executed for each homebuyer unit, KHC establishes the Affordability Period requirements to be imposed by an agreement between the assisted homebuyer and KHC as well as evidenced by a promissory note and secured by mortgage.

### **Establishment of the Recapture Provisions**

All homebuyer units developed using an allocation of HOME funds are required to comply with the recapture provision as described by the HOME regulations at *24 CFR 92.254(a)(ii)(A)(2) - Reduction During the Affordability Period*. KHC requires all HOME funds to be repaid at the time the property is transferred to another owner in accordance with the terms of the *HOME Investment Partnership Program Promissory Note*.

If the property is sold, leased, refinanced, or no longer used as the primary residence of the assisted homeowner; KHC may recapture the HOME funds. In the event the total net proceeds from a sale are insufficient to repay the HOME investment, KHC will recapture the existing net proceeds. In the event of foreclosure, if the shared net proceeds are insufficient to repay the HOME funds, the HOME affordability may be terminated, subject to 24CFR Part 92.254(a)(5)(ii)(A), and KHC will recapture available net proceeds.

The HOME Homebuyer Written Agreement executed by KHC and the HOME-assisted homebuyer contains the following language:

#### **Section 6. RECAPTURE AGREEMENT**

*In compliance with 24 CFR 92.254(a)(5), if Homebuyer sells or otherwise voluntarily or involuntarily transfers title to the Property during the Affordability Period, including transfer as a result of foreclosure or deed in lieu of foreclosure, then the outstanding direct HOME assistance to the buyer (entire remaining balance of the Loan amount as determined pursuant to the terms of the Note) will be recaptured by KHC.*

*However, if the net proceeds of the sale are insufficient to repay the direct HOME assistance, then the entire net proceeds will be recaptured and retained by KHC*

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*to satisfy both this Agreement and the Loan. If there are no net proceeds, repayment is not required and the HOME Program requirements are considered to be satisfied. The term "net proceeds" is defined as the sale price less the balance due on superior secured debt and closing costs incurred by the Homebuyer at sale or transfer. In the event the net proceeds are less than the outstanding Loan balance, KHC reserves the right to determine whether the sales price is comparable to the sales price in an arms-length transaction for a similar unit and to evaluate the closing costs being charged to Homebuyer to ensure they are reasonable and customary.*

*Net proceeds of sale in excess of the outstanding direct HOME assistance will be retained by the Homebuyer.*

*In the event Homebuyer wishes to refinance, KHC will recapture HOME funds subject to the amortization schedule. KHC may elect to subordinate to refinancing on a case-by-case basis.*

*To facilitate the expeditious administration of this Section, Homebuyer shall provide notice to KHC of any anticipated refinance or transfer of title, including but not limited to a sale or foreclosure.*

The terms of the *HOME Homebuyer Written Agreement* are imposed by the *HOME Investment Partnership Program Mortgage* executed by the developer and the homebuyer at closing for a HOME-funded homebuyer unit, which contains the following language:

*11. Mortgagor must abide by all terms and conditions of KHC's HOME Program in order to remain eligible for assistance thereunder. The required terms and conditions are set forth in the HOME Homebuyer Written Agreement ("Written Agreement") between Mortgagor and KHC. All of the terms, covenants, provisions, conditions, stipulations, and agreements contained in the Written Agreement are hereby made a part of this Mortgage, to the same extent and with the same force and effect as if they were fully set forth herein. Mortgagor covenants and agrees to perform the same or cause the same to be kept and performed, strictly in accordance with the terms and conditions thereof. If Mortgagor fails to abide by any of those terms and conditions, Mortgagor may be terminated from the HOME Program and the Note will become immediately due and payable.*

Failure to comply with the terms of the *HOME Homebuyer Written Agreement* is also established as an Event of Default in the *HOME Investment Partnership Program Promissory Note* executed by homebuyer at closing for a HOME-funded homebuyer unit, which contains the following language:

*The occurrence and continuation, subject to any applicable cure periods, of any of the following constitutes an Event of Default: (1) any installment of interest or the payment of principal remains unpaid for more than ten (10) days after the due date thereof (without any further demand or notice); (2) the Borrower is the subject of any voluntary or involuntary bankruptcy, receivership or other insolvency proceeding; (3) the Borrower fails to observe or perform any of the terms of this Note; (4) there is any default by Borrower under the Mortgage, defined below, or any other document, instrument or agreement providing any security for this Note; (5) the property described in the Mortgage is sold, transferred or further encumbered without Lender's prior written consent prior to the Maturity Date of this Note; (6) there is a default by Borrower under this or any other indebtedness, liability or obligation to Lender, whether direct, contingent, absolute, joint or several, or heretofore or hereafter incurred, and whether or not the incurrence of same was reasonably foreseeable; (7) Borrower fails to occupy, establish and use the property described in the Mortgage as Borrower's principal residence (at least one Borrower, if initially more than one person is borrowing); (8) there is a default by Borrower under any other loan, indebtedness, liability or obligation to another party that is secured by the property described in the Mortgage, (9) Borrower submits incomplete, false or misleading information to Lender prior to or subsequent to the date of this Note; (10) Borrower violates any procedural requirements or other restrictions of the HOME Program; (11) Borrower violates any of the terms, covenants, provisions, conditions, stipulations, and agreements contained in the HOME Homebuyer Written Agreement between Borrower and KHC.*

The Kentucky Housing Corporation HOME Investment Partnership Program Single Family Developer Written Agreement executed with the developer of each HOME-assisted homebuyer unit also establishes the recapture provisions for the duration of the affordability period using the following language:

**3.2 Affordability Period**

*The sale of the unit constructed under this Agreement will be subject to the imposition of an affordability period consistent with the requirements of 24 C.F.R. § 92.254(a)(4) (the "Affordability Period"). The Affordability Period will be imposed by an agreement between the assisted homebuyer(s) and KHC as well as evidenced by a recorded deed restriction, and any direct HOME assistance to the buyer(s) when purchasing the unit(s) will be evidenced by a note and secured by mortgage.*

*Among other items, the agreement between KHC and the assisted homebuyer(s) will include requirements that the buyer(s) maintain the unit as their primary place of residence throughout the Affordability Period and not convert the property to use as rental housing during the Affordability Period. Further, in the event of a sale or other voluntary or involuntary transfer of title during the*

*Affordability Period, the buyer(s) will be required to repay the outstanding balance of any HOME funding or the net proceeds of sale, whichever is less. The net proceeds of sale will be defined as the sales price at which the original buyer is selling the unit (which KHC may disapprove in the event it is not reflective of an arms-length sale at fair market value), minus any secured mortgage debt senior to the HOME funding, and minus reasonable and customary closing costs incurred by the assisted homebuyer as part of the sale.*

*Prior to the initial purchase of a unit by an eligible buyer, KHC will provide Developer with form versions of the agreement between KHC and assisted homebuyer(s). The Developer shall take appropriate steps to ensure potential buyers are informed of the Affordability Period requirements and that any purchase agreement with a buyer is contingent upon KHC's approval of the sale and the buyer's acceptance of the Affordability Period requirements.*

*Given initial financial projections, KHC and Developer anticipate that the Affordability Period will be \_\_\_ years from the date on which the loan to the assisted homebuyers closes and title to the property transfers to assisted homebuyers.*

*Failure of the project to meet all applicable HOME requirements for the entire Affordability Period will result in a requirement that all HOME funds be repaid.*

### **Recapture Calculation Methodology**

In the event the homebuyer transfers the property, either voluntarily or involuntarily, during the period of affordability, KHC or the developer recaptures all or a portion of the "direct" HOME assistance provided to the homebuyer from the available net proceeds.

The direct HOME assistance is the total amount of HOME assistance that enables the buyer to purchase the unit, including: down payment and closing cost assistance; interest subsidies; other assistance provided directly to the homebuyer (e.g., soft second mortgage); and, if applicable, the amount that reduces the purchase price from fair market value to an affordable price.

The portion recaptured by KHC or the developer will be a pro-rata amount of the direct HOME assistance. The total amount of the loan will be reduced for each year that the owner occupies the unit. For instance, for each year of a five-year affordability period, one-fifth of the amount of the HOME assistance will be forgiven.

To make the determination of what is forgiven:

*(Number of years the buyer occupied the home/period of affordability) X total amount of direct HOME assistance originally provided to the homebuyer = amount forgiven.*

*Total amount of direct HOME assistance – the amount forgiven = Recapture Amount.*

In the event net proceeds of the sale are insufficient to repay the amount owed, recaptured funds will be equal to net proceeds, and the loan will be considered satisfied. Net proceeds are defined as the sales price of the home minus superior loan repayment (not including HOME loans) and any closing costs.

The recapture provision is in effect for a period of affordability that is based on the amount of direct HOME assistance to the buyer, as follows:

<b>Amount of Direct Assistance to Buyer</b>	<b>Period of Affordability</b>
Under \$15,000	5 years
\$15,000 to \$40,000	10 years
Over \$40,000	15 years

Recapture Example - Ms. Mary Smith purchases a home for \$105,000 in June of 2011 and received \$20,000 in direct HOME assistance from ABC nonprofit (who is a developer using HOME funds from KHC). Ms. Smith sells the house in August 2016, after the fifth year of affordability. As a result, 50 percent of her loan is forgiven and a balance of \$10,000 is to be repaid from the net proceeds. However, if the net proceeds of the sale are insufficient to repay the balance, the amount subject to recapture will be equal to the net proceeds

### **Noncompliance**

During the affordability period, noncompliance occurs when an owner (1) vacates the property or rents the property to another household, or (2) sells the home without KHC receiving recaptured funds due at time of sale. KHC will monitor its homebuyer properties at least annually to confirm that owners continue to reside in the units as their principal residence. In the event of noncompliance, the owner is subject to repay any outstanding HOME funds invested in the housing. This is based on the total amount of HOME funds invested, including both development funds and direct subsidy to the buyer minus any HOME loan repayments.

NOTE: In the event an heir of an eligible homebuyer does not meet the 80 percent of Area Media Income eligibility limit on HOME-funded properties, the HOME investment must be recaptured.

## Kentucky Housing Corporation ESG Written Standards

Updated May 1, 2020

Kentucky Housing Corporation (KHC) as the State [recipient](#) sets forth the following standard policies and procedures that must be utilized for all [subrecipient](#) when evaluating individuals' and families' eligibility for assistance, coordinating program intake, and providing ongoing services and financial assistance under the Emergency Solutions Grant (ESG) in accordance with [24 CFR §576.400\(e\)\(2\) and §576.400\(e\)\(3\)](#).

### **ESG Recipient Requirements- 24 CFR §576.400(e)**

(2) If the recipient is a state:

(i) The recipient must establish and consistently apply, or require that its subrecipients establish and consistently apply, written standards for providing ESG assistance. If the written standards are established by the subrecipients, the recipient may require these written standards to be:

(A) Established for each area covered by a Continuum of Care or area over which the services are coordinated and followed by each subrecipient providing assistance in that area; or

(B) Established by each subrecipient and applied consistently within the subrecipient's program.

(ii) Written standards developed by the state must be included in the state's Consolidated Plan. If the written standards are developed by its sub recipients, the recipient must describe its requirements for the establishment and implementation of these standards in the state's Consolidated Plan.

(3) At a minimum these written standards must include:

(i) Standard policies and procedures for evaluating individuals' and families' eligibility for assistance under Emergency Solutions Grant (ESG);

(ii) Standards for targeting and providing essential services related to street outreach;

(iii) Policies and procedures for admission, diversion, referral, and discharge by emergency shelters assisted under ESG, including standards regarding length of stay, if any, and safeguards to meet the safety and shelter needs of special populations, e.g., victims of domestic violence, dating violence, sexual assault, and stalking; and individuals and families who have the highest barriers to housing and are likely to be homeless the longest;

(iv) Policies and procedures for assessing, prioritizing, and reassessing individuals' and families' needs for essential services related to emergency shelter;

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(v) Policies and procedures for coordination among emergency shelter providers, essential services providers, homelessness prevention, and rapid re-housing assistance providers; other homeless assistance providers; and mainstream service and housing providers (see § 576.400(b) and (c) for a list of programs with which ESG-funded activities must be coordinated and integrated to the maximum extent practicable);

(vi) Policies and procedures for determining and prioritizing which eligible families and individuals will receive homelessness prevention assistance and which eligible families and individuals will receive rapid re-housing assistance (these policies must include the emergency transfer priority required under § 576.409);

(vii) Standards for determining what percentage or amount of rent and utilities costs each program participant must pay while receiving homelessness prevention or rapid re-housing assistance;

(viii) Standards for determining how long a particular program participant will be provided with rental assistance and whether and how the amount of that assistance will be adjusted over time; and

(ix) Standards for determining the type, amount, and duration of housing stabilization and/or relocation services to provide to a program participant, including the limits, if any, on the homelessness prevention or rapid re-housing assistance that each program participant may receive, such as the maximum amount of assistance, maximum number of months the program participant receive assistance; or the maximum number of times the program participant may receive assistance.

***Area-Wide Systems Coordination Requirements (24 CFR §576.400)***

Under 24 CFR §576.400 ESG Recipients must adhere to are-wide coordination requirements to ensure geographic coverage, system coordination, and targeted resource allocation. Outlined below are KHC's ESG area-wide coordination requirements for all ESG subrecipients in the KY Balance of State Continuum of Care (KY BoS CoC).

*Consultation with Continuums of Care.* Subrecipients must demonstrate through a biennial Competitive Application process that the proposed project will work with the KY BoS CoC and adhere to established KY BoS CoC priorities as described in the most recent ESG Policy Manual. Due to the COVID-19 Pandemic, HUD issued a "Mega-Waiver" through a memorandum dated March 31, 2020 that sets forth waivers to regulatory requirements set forth in 24 CFR §576. Subrecipients of annual ESG formula grants, in consultation with the Recipient, may apply these waivers during the timeframe in which they apply. The ESG subrecipient of ESG annual formula funds, once awarded, must allocate funds according to these established priorities and policies as detailed in the Competitive Application. ESG subrecipients of funds awarded through the CARES Act must adhere to the priorities and policies established in conjunction with that allocation. ESG subrecipients are eligible and encouraged to be voted onto the KY

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BoS CoC Advisory Board and any of its working committees and subcommittees. ESG subrecipients will assist the CoC Advisory Board and KHC in establishing and updating CoC-wide priorities and policies.

*Coordination with other targeted homeless services.* To the maximum extent practicable, subrecipients must coordinate with other existing homeless services programs and other key stakeholders in the KY BoS CoC. They must work to ensure that ESG-funded programs contribute to a strategic, CoC-wide system to prevent and end homelessness as outlined in the most recent [KY BoS CoC Coordinated Entry Policies and Procedures](#).

*System and program coordination with mainstream resources.* Subrecipients must coordinate and integrate ESG-funded activities with mainstream housing, health, social services, employment, education and youth programs for which ESG program participants may be eligible. Subrecipients will ensure ESG program participants are referred to mainstream resources for which they are eligible. When appropriate, subrecipients will work with mainstream resource agencies to establish coordinated case plans that include client goals and measurable outcomes.

*Centralized or Coordinated Assessment.* All subrecipients, including [Victim Service Providers](#) (VSP), must participate within the KY BoS Coordinated Entry System as defined in the most recent version of [KY BoS CoC Coordinated Entry Policies and Procedures](#). KY BoS CoC Coordinated Entry is a universal process, regardless of funding source, that includes triage assessment, permanent housing referral, and program intake.

*Participation in HMIS.* All KHC ESG subrecipients must participate and enter data on all persons served and all activities in the Kentucky Homeless Information Management System (KYHMIS) data collection and reporting system administered and managed by KHC as the HMIS Lead for the Commonwealth of Kentucky. KYHMIS serves as the community-wide [HMIS](#) for the KY BoS CoC in accordance with [US Department of Housing and Urban Development \(HUD\) standards](#) on participation, data collection, and reporting under a local HMIS. If the subrecipient is a VSP it must use a comparable database that collects client-level data over time (i.e., longitudinal data) and generates unduplicated aggregate reports based on the data. Information entered into a [comparable database](#) must not be entered directly into or provided to a HMIS.

***KHC ESG Written Standards as required by 24 CFR §576.400(e)(3)***

All KHC ESG subrecipients in the KY BoS CoC are required to adhere to the following policies and procedures when operating ESG projects. All required ESG client-level documentation, forms and recordkeeping guidance can be found on the [HCA HelpDesk](#) in the most recent [ESG Program Compliance Toolkit, unless the recordkeeping requirements apply to COVID-19 Pandemic-related waivers from HUD's "Mega Waiver" memorandum dated March 31, 2020, which can be found under the COVID-19 section of the HCA Help Desk](#). Recipient will notify the location of required documents relating to the CARES Act ESG allocation of funds, as applicable.

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*Determining Eligibility for ESG Assistance.* All ESG subrecipients will determine individual and household eligibility for ESG assistance by program component as set forth in the most recent KHC Notice of Funding Availability (NOFA), ESG Policy Manual, ESG Compliance Toolkit, HUD COVID-19 “Mega Waiver” (as approved by the Recipient), and the CARES Act, and/or any subsequent HUD regulatory guidance when applicable. At minimum, all ESG subrecipients are required to use the HUD [Homeless Definition](#) and note the difference between categories of homelessness and applicable ESG component requirements. In addition all ESG subrecipients are required to utilize HUD’s guidance on [Determining Homeless Status of Youth](#) when applicable.

*Street Outreach Activities.* ESG subrecipients who are funded through the Street Outreach component are required to provide essential services necessary to reach out to persons experiencing unsheltered homelessness and connect them with emergency shelter, the KY BoS CoC Coordinated Entry System, other housing solutions, and critical services. When appropriate, subrecipients may provide urgent, non-facility-based care to persons experiencing unsheltered homelessness who are unwilling or unable to access emergency shelter, housing, or an appropriate health facility. For the purposes of this section, the term “persons experiencing unsheltered homelessness” means individuals and families who qualify as homeless under paragraph (1)(i) of the “homeless” definition. Eligible activities include, engagement, case management, emergency mental health, emergency health services, transportation, and services for special populations as defined [24 CFR §576.101](#). In addition, all subrecipients funded for Street Outreach must adhere to the most recent KHC NOFA, ESG Policy Manual, and ESG Program Toolkit for BoS specific priorities and requirements.

*Diversion, Admission, and Discharge by ESG Emergency Shelters.* All ESG-funded Emergency Shelters are required to adhere to Diversion policies and practices outlined in the KY BoS CoC Coordinated Entry Policies and Procedures. ESG-funded Emergency Shelters must follow required documentation and intake and exit procedures described in the most recent ESG Program Compliance Toolkit, KHC NOFA, and ESG Policy Manual. At minimum, ESG-funded Emergency Shelters must participate in the KY BoS CoC Coordinated Entry System and operate under a low-barrier, housing-focused shelter model.

*Assessment of Need for Essential Services by ESG Emergency Shelters.* All ESG-funded Emergency Shelters are required to follow assessment of need practices described in the most recent ESG Program Toolkit, KHC ESG NOFA, and ESG Policy Manual. At minimum, all subrecipients must ensure essential services are client-driven and catered to the individual or household’s specific needs to assist in accessing, obtaining and maintaining permanent housing.

*Prioritization of Prevention and Rapid ReHousing Assistance.* Subrecipients will prioritize available ESG-funded Prevention and Rapid Rehousing resources in accordance with the most recent KY BoS Diversion and KY BoS Coordinated Entry Policies and Procedures. Subrecipients providing Prevention assistance must adhere to Homeless Prevention Component regulations found at [24 CFR §576.103](#) as well as the most recent ESG Policy Manual. Subrecipients providing Rapid ReHousing assistance must adhere to Rapid ReHousing Component regulations found at [24 CFR §576.104](#) as well as KY BoS Rapid ReHousing

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May 1, 2020*

**Program Standards.** In addition, the Coronavirus Aid, Relief, and Economic Security (CARES) Act of 2020 provides ESG Recipients with one-time additional ESG monies to provide further Prevention and Rapid ReHousing assistance as determined by the Recipient due to the economic fallout from the COVID-19 global pandemic. Subrecipients must adhere to updated prioritization of Prevention and Rapid ReHousing as a result of CARES funding in the KY BoS CoC in order to prevent an onslaught of first time and recurrence of homelessness. The HUD "Mega Waiver" does and the CARES Act may provide flexibility for some ESG regulations as established in 24 CFR §576. Recipient will notify subrecipients if they are permitted to use these waivers and any variations as allowed through the CARES Act or subsequent regulatory guidance from HUD..

*Participant Percentage of Rent and Utilities and Duration of Assistance.* Subrecipients are required to adhere to rent and utility assistance standards, minimum thresholds and reevaluation periods as set forth in the ESG Policy Manual and KY BoS Rapid ReHousing Program Standards. At minimum, ESG Rapid ReHousing providers may not require income for program entry and ongoing rental/utility assistance while Prevention providers must be in compliance with HUD income threshold regulations set forth in [24 CFR §576.103 or those established by the HUD "Mega Waiver,"the CARES Act, and/or any subsequent HUD regulatory guidance](#). All rental assistance programs must operate under a Housing First orientation, be client-centered, and be flexible to the unique needs of individuals and households receiving assistance.

*Determining Housing Stabilization and/or Relocation Services.* Subrecipients are required to adhere to service standards, monthly case management and reassessment of need as set forth in the KHC ESG NOFA, ESG Policy Manual, KY BoS Rapid ReHousing Program Standards, and ESG Program Compliance Toolkit. At minimum, subrecipients are required to conduct monthly housing-focused case management sessions with program participants. All rental assistance programs must operate under a Housing First orientation, be client-centered, and be flexible to the unique needs of individuals and households receiving assistance

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May 1, 2020*

Kentucky Housing Corporation  
Housing Contract Administration Department

## **SINGLE-FAMILY HOMEBUYER DEVELOPMENT**

*Funded by:  
Kentucky's Affordable Housing Trust Fund (AHTF)  
HOME Investment Partnership Program (HOME)*

### **Program Policy Manual**

*March 17, 2023*



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*KHC prohibits discrimination based on race; color; religion; sex; national origin; sexual orientation; gender identity; ancestry; age; disability; or marital, familial or veteran status.*

The policies outlined in the manual are effective for projects funded after January 1, 2023. All previous awards of HOME and AHTF single-family homebuyer development or owner-occupied home repair funding must follow policies in place at the time of award.

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## Notice

This manual serves as a reference for the Kentucky Housing Corporation's administration of its Single-Family Homebuyer Development and Owner-occupied Replacement Reconstruction program funded by HOME and AHTF. KHC program policy manuals are subject to change without notice.

To the best of our knowledge, the information in this publication is accurate; however, neither Kentucky Housing Corporation nor its affiliates assume any responsibility or liability for the accuracy or completeness of, or consequences arising from, such information. Changes, typos, and technical inaccuracies will be corrected in subsequent publications. This publication is subject to change without notice. The information and descriptions contained in this manual cannot be copied, disseminated, or distributed without the express written consent of Kentucky Housing Corporation. This document is intended for informational purposes only. The manual is not inclusive of all resources needed to successfully administer a project.

Separate policy manuals are available for other Housing Contract Administration programs.

Go to the [HCA Partner Agency Portal](https://kyhmis.zendesk.com/home) at <https://kyhmis.zendesk.com/home> to submit a request to the Housing Contract Administration (HCA) Partner Agency Portal if you have questions or need additional assistance with materials within this manual.

## KHC Single-Family Homebuyer Development Program At-a-Glance

<b>Purpose</b>	To expand the supply of quality, affordable housing for low-income and very low-income households in Kentucky through the creation or rehabilitation of single-family detached housing units.
<b>Funding Sources</b>	<ul style="list-style-type: none"> <li>HOME Investment Partnerships (HOME)</li> <li>Kentucky's Affordable Housing Trust Fund (AHTF)</li> </ul>
<b>Eligible Households</b>	<p>Households with a combined household income of:</p> <ul style="list-style-type: none"> <li>HOME-funded projects: ≤80% HUD Area Median Income (AMI)</li> <li>AHTF-funded projects: ≤60% of HUD AMI or KY Median Family Income, whichever is greater.</li> </ul> <p>Income-eligible applicants should have non-home assets valued at no more than \$50,000.</p>
<b>Eligible Properties</b>	Single-family detached homes or qualified manufactured homes. Home must be the homebuyer's primary residence.
<b>Geography</b>	Anywhere in the Commonwealth of Kentucky.
<b>Max Assistance</b>	<p>Direct assistance to homebuyers: up to \$40,000, based on front- and back-end ratios.</p> <p>Development gap funding: up to \$25,000, depending on HERS rating.<sup>1</sup> (\$45,000 until June 30, 2023). Until June 30, 2023, KHC will allow combined subsidy (development and direct) to not exceed \$84,000 for all units except one-bedrooms (\$69,000).</p>
<b>Eligible Activities</b>	<ul style="list-style-type: none"> <li>New construction and sale to new homebuyers. <i>(CHDO-eligible)</i></li> <li>Acquisition, rehabilitation, and resale of existing homes to new buyers. <i>(CHDO-eligible)</i></li> <li>Demolition and replacement of substandard owner-occupied homes, with an emphasis on substandard manufactured homes. <i>(NOT CHDO-eligible)</i></li> </ul>
<b>Form &amp; Term of Assistance</b>	Up to 15 years depending on amount of direct homebuyer or homeowner subsidy invested. Period of affordability is governed through forgivable mortgages (HOME and AHTF) and deed restrictions (AHTF).
<b>Eligible Applicants/Developers</b>	Private developers, nonprofit organizations, Community Housing Development Organizations (CHDOs), Faith-Based and community service organizations, units of local government in Kentucky; regional or statewide housing-assistance organizations; and Public Housing Authorities (AHTF only). Applicants must be in good standing with both the Commonwealth and KHC and have at least one full-time staff member. Entities providing services in jurisdictions that receive direct HOME allocations from HUD are ineligible for KHC HOME funding.
<b>Developer Fee</b>	<p>For new construction (which includes demolition/rehabilitation) projects, developer fee cannot exceed the lesser of:</p> <ul style="list-style-type: none"> <li>15% of total development costs, excluding acquisition; or</li> <li>\$15,000.</li> </ul> <p>For acquisition/rehabilitation/resale projects, the developer fee cannot exceed the lesser of:</p> <ul style="list-style-type: none"> <li>20% of total development costs, excluding acquisition; or</li> <li>\$15,000.</li> </ul>
<b>Program Forms &amp; Templates</b>	<a href="#">HCA Partner Agency Portal</a> : Homebuyer Development section; 2023 Single-Family Homebuyer Development Set Up packet

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**NOTE:** This manual outlines the policies pertaining to single-family homebuyer activities and replacement/reconstruction activities funded by HOME and/or AHTF awards. It is the responsibility of the project developers/subrecipients to read, understand, and comply with these requirements as applicable to each funding source used for the development of a housing unit as well as the documents and notices listed below, as applicable.

- 24 CFR Part 92 Final HOME Rule
- 2 CFR Part 200 Uniform Administrative Requirements
- HUD-published HOME CPD Notices
- 24 CFR §5.609 Calculation of Annual Income
- HUD Income Limits
- Kentucky Revised Statutes (KRS) §198A.700 TO §198A.730-Low-Cost Housing
- US Code Title 40 Subtitle IV-Appalachian Regional Development
- KHC Design and Construction Requirements at <http://www.kyhousing.org/Development/Pages/Design-and-Construction.aspx>
- KHC's Consolidated and Annual Action Plans
- KHC's Single-Family Homeownership Application Guidelines (HOME and AHTF as applicable)
- KHC's HOME and AHTF Funding Agreements (as applicable)
- KHC's eGram Notices
- Any other relevant state and federal law, policies, and regulations not otherwise listed above.

Separate policy manuals are available for other Housing Contract Administration programs on the Housing Contract Administration (HCA) Partner Agency Portal at <https://kyhmis.zendesk.com>.

## Definitions

*Applicant:* Any eligible entity that makes application for funding from Kentucky Housing Corporation for HOME or AHTF program funds. Applicant is used to refer to the entity throughout the process until KHC obligates funds to the organization in the form of a funding agreement.

*Commit to a specific local project:* If the project consists of rehabilitation or new construction (with or without acquisition) and the developer has executed a Homebuyer Written Agreement under which HOME or AHTF assistance will be provided to the homebuyer for an identifiable project for which: all necessary financing has been secured; a budget and schedule have been established; underwriting has been completed; and construction is scheduled to start within twelve months of the written agreement date. Additionally, the project has been set up by KHC in the disbursement and information system established by HUD. Each HOME-funded specific local project will be funded through and governed by a separate Developer Written Agreement with KHC. AHTF-funded homebuyer projects will be funded through individual project set ups and governed by the subrecipient grant agreement for the program year.

*Community Housing Development Organization (CHDO):* A CHDO is a private nonprofit, community-based organization that has staff with the capacity to develop affordable housing for the community it serves using HOME funding. In order to qualify for designation as a CHDO, the organization must meet certain requirements pertaining to their legal status, organizational structure, and capacity and experience as specified in 24 CFR §92.2. Organizations must submit an application to KHC annually to be certified as a CHDO.

*Developer:* The Applicant awarded funds will serve as the developer of homebuyer housing funded by KHC, where it is either: a) the owner (in fee simple absolute) and developer of new housing that will be constructed or existing substandard housing that will be rehabilitated for sale to low-income households as proposed in its application for funding; or b) the developer for *unlike* replacement housing for owner-occupants of substandard units. Developers will be subrecipients of AHTF funding and awardees of HOME funding, as applicable.

*Development Gap Subsidy:* In the event the total development costs exceed the appraised value, the housing unit may not sell for more than the appraised value. The difference between the total development costs and the appraised value is the **development gap subsidy**. Development subsidy is only permitted for those developers that undertake homebuyer new construction or acquisition/rehabilitation/resale activities.

*Direct Subsidy:* The total amount of funding that enabled the home buyer to purchase the dwelling unit is considered the **direct subsidy**. This includes any HOME or AHTF assistance that reduces the purchase price from the fair market value to an affordable price but **excludes** development subsidy. Direct subsidy is typically classified as down payment and closing costs assistance.

*Homebuyer/Homeowner:* The end beneficiary of HOME or AHTF assistance to a housing unit. They will own the assisted unit upon completion of the HOME or AHTF activities and will occupy the unit as their primary residence for the duration of the affordability period.

*Set-up Packet:* All paperwork required for submission by KHC so that KHC can approve the start of construction for an activity. The set-up packet includes, but is not limited to, the following: household income verifications, cost estimates, construction start-up notices, environmental reviews, purchase agreement, and the Developer Written Agreement. **The submitted set up packet must include the newest KHC Single-Family Homebuyer Development Set-Up Packet Excel workbook downloaded from the HCA Partner Agency Portal at <https://kyhmis.zendesk.com>.**

#### **Public Information and Open Records Act Requests**

Applicants are advised that materials contained in applications are subject to the requirements of the Kentucky open records laws at KRS §61.870-61.884 and the application materials may be viewed and copied by any member of the public. Applicants seeking to claim a statutory exemption to disclosure from open records requests, which may be made, must place all documents viewed as confidential in a sealed envelope marked "confidential". Applicants must be aware that if an open records request is made for any of the application materials, KHC will make an independent determination of confidentiality and may or may not agree with the applicant's determination regarding the confidentiality of the materials.

## Program Purposes-HOME and AHTF

### Program Purpose-HOME Investment Partnerships

Created by Congress in 1990, the HOME Investment Partnerships Program (HOME) provides funding to subrecipients for several types of affordable housing production and rehabilitation. KHC administers and monitors the program for the U.S. Department of Housing and Urban Development (HUD), awarding funding to eligible subrecipients; including local governments, housing authorities, private developers, and nonprofit housing providers.

The purpose of the HOME Program is to expand the supply of quality, affordable housing for low-income (at or below 80 percent of area median income) and very-low income (at or below 60 percent of area median income) households. The HOME Program can be utilized to expand the supply of decent, safe, and sanitary housing through either new construction or rehabilitation of existing structures with forgivable, deferred grants. The HOME Program's flexibility empowers local communities to design and implement strategies tailored to their own needs and priorities.

### Program Purpose- Kentucky Affordable Housing Trust Fund (AHTF)

The AHTF was established by the Kentucky State Legislature (see KRS §198A.700-730) to provide housing for very low-income Kentuckians. The fund was created in response to economic conditions, federal housing policies, and declining resources that adversely affected the ability of very low-income persons to obtain safe, quality, and affordable housing. State leaders decided it was in the public's interest to establish the AHTF to assist very low-income persons (at or below 60 percent area median income) in meeting their basic housing needs.

There are four priorities for use of AHTF financing:

- New construction projects for low-income households submitted by nonprofits or local governments.
- Projects using existing, privately-owned housing stock.
- Projects using existing, publicly-owned housing stock.
- Application from local governments for projects that demonstrate effective zoning, conversion, or demolition controls for single-room occupancy units.

As required by KRS §198A.720 (6), a minimum of 40 percent of all funds received is to be used for rural areas of the Commonwealth. To be considered rural, properties must be in areas defined as rural by USDA Rural Development (RD). KHC reserves the right to make funding decisions to meet this requirement. Applicants can determine if the property is in a rural area by accessing the RD Property Eligibility Site <https://eligibility.sc.egov.usda.gov/eligibility/welcomeAction.do>, "Single Family" and then enter the property address. **A copy of the USDA eligibility determination must be provided with the Project Set-Up.**

## Eligible Applicants

To be eligible to participate in the HOME and AHTF programs, an applicant must be deemed to be in good standing by the Secretary of State of the Commonwealth of Kentucky and in compliance with the requirements of 24 CFR Part 92 and Kentucky Revised Statutes (KRS §198A.700 to §198A.730). Once awarded funds, all developers must follow the requirements of 24 CFR §92.505 and all applicable Mortgage Letters. An eligible applicant must also have at least one full-time employee.

Entities that can apply to KHC for HOME and AHTF program funding are:

- Private developers
- Nonprofit organizations
- Community Housing Development Organizations (CHDOs)
- Faith-Based and community service organizations
- Units of local government in Kentucky
- Regional or statewide housing-assistance organizations;
- Public housing authorities (AHTF only)

The city of Owensboro; the merged governments of Lexington/Fayette County and Louisville/Jefferson County; and the consortium consisting of the cities of Covington, Ludlow, Newport, Bellevue, and Dayton receive a direct allocation of HOME funds from HUD and are not allowed to apply for HOME funds from KHC.

**NOTE: Organizations should only apply if they themselves will develop affordable single-family homes and/or repair existing owner-occupied homes with KHC funds. KHC will NOT award funds to intermediary subrecipients.**

## State Clearinghouse Review

Applicants requesting HOME funds must also submit project information to the [Kentucky eClearinghouse](https://kydlgweb.ky.gov/eClearinghouse/16_echHome.cfm) via the State's online system at [https://kydlgweb.ky.gov/eClearinghouse/16\\_echHome.cfm](https://kydlgweb.ky.gov/eClearinghouse/16_echHome.cfm) as part of the application process. Successful submission to the online Clearinghouse system will generate a confirmation that includes the State Application Identification (SAI) number. A copy of this confirmation is a required checklist attachment for the KHC application.

## Capacity

KHC will assess the capacity of the applicant to complete the development process and the applicant's fiscal soundness to ensure they have adequate resources and liquidity to make it through the development process and get the project completed.

## Maximum Funding Requests

KHC limits the amount of funds an applicant may request.

KHC reserves the right to award lesser or greater amounts than requested. This determination may be based on such factors as the capacity of the applicant or administrator, a project's readiness to proceed, the number of applications received, geographic distribution of funds, and any other factors that KHC deems appropriate and necessary.

## Funding Awards

KHC will competitively award funding for Homebuyer new construction and/or rehabilitation projects to eligible applicants via an annual competitive application process governed by a Notification of Funding Availability (NOFA). Recipients will be awarded HOME funds via a conditional commitment letter that allows them to submit project set-ups and request a Developer Written Agreement (created by KHC) for each specific local project (typically a single housing unit). AHTF funds will be awarded through a subrecipient grant agreement that permits recipients to submit project set-ups for individual housing units and request release of funds for those individual units.

## Prohibition on Combining HOME and AHTF Funds in a Specific Local Project

If an eligible applicant is awarded both HOME and AHTF for eligible homebuyer activities via the annual competitive allocation, each specific local project must use only HOME or AHTF. Combination of HOME and AHTF on a specific local project is prohibited. KHC reserves the right to swap HOME and AHTF on a specific local project based on homebuyer eligibility and funding availability.

## Obligation of Funding Commitments

KHC will only commit funds to a specific local project and execute Developer Written Agreements for each HOME-funded specific local project (typically a single unit) when the project has secured all the financing necessary to complete the project, established a budget and schedule for construction, completed underwriting and subsidy layering, and submitted a complete *KHC Single-Family Homebuyer Development Set-Up/PCR Packet*<sup>2</sup> with all necessary supporting documentation.

The schedule for construction must include timelines for each of the following phases:

New Construction:	Footing (post-excavation and before concrete is poured) Interim (between wall insulation and drywall) Completion (100% complete, prior to move in)
Rehabilitation:	Under roof/weatherization Interim (between wall insulation and drywall) Completion (100% complete, including waste removal)

KHC requires that developers/subrecipients have all funds committed and expended according to the terms established in the HOME Developer Written Agreement for each HOME-funded project and the grant agreement for AHTF-funded projects (as applicable). Commitment means that the subrecipient must have a signed written agreement with the homebuyer (see Homebuyer Written Agreements section).

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<sup>2</sup> Download and complete the newest *KHC Single-Family Homebuyer Development Set-Up/PCR Packet* from the HCA Partner Agency Portal at <https://kyhmis.zendesk.com>

A *KHC Single-Family Homebuyer Development Set-Up/PCR Packet*<sup>3</sup> with all necessary supporting documentation must be submitted to KHC prior to release of funds for all homebuyer activities and execution of a project-specific written agreement for HOME-funded activities. **Prior to submitting a project set up packet, an Environmental Review with necessary supporting documentation must be completed using the HUD Environmental Review Online System (HEROS) and assigned to the designated KHC contact.**<sup>3</sup> All HOME-funded activities must also be entered into the HUD Integrated Disbursement Information System (IDIS) and assigned an IDIS number prior to release of funds.

KHC may award additional funds to developers/subrecipients who wish to continue projects within the same activity for which they were previously funded and who are using the same project design, provided the applicant has been monitored by KHC and no significant monitoring issues have been identified nor findings made.

### Homebuyer Written Agreements

For KHC to commit funds to a homebuyer, each homebuyer must sign a written agreement with the developer. Each agreement should contain a homeowner's name and address. Developers should draft their written agreements and submit it to the HCA inbox with their set-up packets for each homebuyer unit. KHC will review agreements to ensure they meet requirements of the funding source (HOME or AHTF). Written agreements should:

- Identify all parties to the agreement.
- Provide dated signatures of each party.
- Provide the address of the project.
- Specify the amount of the HOME or AHTF funds.
- Specify the form of assistance.
  - Examples: grant, amortizing loan, deferred payment loan
- Specify how the funds will be used.
  - Examples: down-payment assistance, closing costs assistance, rehabilitation, new construction
- State the time by which the housing must be acquired.

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<sup>3</sup> Awardees must submit their environmental review documentation via the HUD Environmental Review Online System (HEROS) at <https://heros.hud.gov>. If an awardee does not have a HEROS account, see *HEROS Account Access Form Instructions 2019-9* on the HCA Partner Agency Portal at <https://kyhmis.zendesk.com/> to learn how to request an account. HEROS instruction guides are also available on the HCA Partner Agency Portal under the HEROS-HUD ENVIRONMENTAL REVIEW ONLINE SYSTEM sub-header. Awardees must use the *Environmental Review Worksheet Completion Guide-HOME Single-Family Developers* found on the HCA Partner Agency Portal at <https://kyhmis.zendesk.com/> for instructions on creating environmental review supporting documentation that must be included in the HEROS submission. Prior to submitting an environmental review record to KHC via HEROS, email [hcadev@kyhousing.org](mailto:hcadev@kyhousing.org) to confirm the appropriate KHC team member to whom the environmental review should be assigned in HEROS. **All proposed projects where five or more units will be created on a single site, regardless of funding source, must complete a full Environmental Assessment. Contact KHC via an email to [hcadev@kyhousing.org](mailto:hcadev@kyhousing.org) if this is the case.**

Additionally, agreements for HOME-funded projects must include language mandating compliance with the following requirements of 24 C.F.R. §92.254(a):

- The housing must be intended for use as a single-family homebuyer dwelling and maintained as the primary residence of the household throughout the affordability period.
- The sales price of rehabilitated existing 95 percent of the median purchase price for the area based on Federal FHA single-family mortgage program data for existing housing and other appropriate data that are available nationwide for sale of existing housing in standard condition. These price limits are established via HUD's annual HOME Homeownership Value Limits table and are included in the *KHC Single-Family Homebuyer Development Set-Up/PCR Packet*<sup>2</sup>
- The sales price of newly constructed housing cannot exceed 95 percent of the median purchase price for the area based on Federal Housing Administration (FHA) single-family mortgage program data for newly constructed housing. These price limits are established via HUD's annual HOME Homeownership Value Limits table and are included in the *KHC Single-Family Homebuyer Development Set-Up/PCR Packet*.<sup>1</sup> The period of affordability must be calculated pursuant to 24 C.F.R. § 92.254(a)(4) based on the amount of HOME assistance.
- The assisted household must qualify as low-income at the time the contract is signed.
- Must include a provision describing the recapture provisions of 24 C.F.R. § 92.254(a)(5).

Homebuyers of HOME-funded housing must also complete and sign the newest version of the Kentucky Housing Corporation *HOME Investment Partnership Program Homebuyer Written Agreement* downloaded from the HCA Partner Agency Portal (<https://kyhmis.zendesk.com>) for submission with the final draw as part of the activity close-out.

#### Activity Set-up Requirements

The developer must submit a complete *KHC Single-Family Homebuyer Development Set-Up/PCR Packet*<sup>1</sup> with all required supporting documentation for each specific local project to HCA at [hcadev@kyhousing.org](mailto:hcadev@kyhousing.org) at least **three weeks prior to the start of construction**.

**Note: Developers may not begin construction on any unit until the project has been approved by HCA program staff as demonstrated by the receipt of an activity number and a release of funds email. Any unit started (defined as any on-site construction activity) before approval by KHC may make the unit ineligible for KHC assistance and could affect future funding.**

#### Deobligation of Funding Commitment

Furthermore, KHC reserves the right to:

- Withdraw its conditional funding commitment if technical submission items are not submitted by the applicant by the date referenced in the commitment letter.
- Deobligate funds if funds are not committed and/or expended and construction completed by the dates referenced in the funding agreement, or if the project substantially changes after funding commitment.
- Periodically review the developer's progress toward timely commitment and expenditure of the HOME and AHTF allocation. If KHC determines that the project is no longer feasible or is not progressing timely so that the imposed deadlines will be met, funds may be de-obligated.
- Deobligate funds from any developer who becomes suspended or debarred in accordance with KHC's Suspension and Debarment Policy.

- Deobligate funds if the developer has not met the commitment and expenditure deadlines as referenced in the funding agreement. However, KHC reserves the right to extend the date if extenuating circumstances prevented the commitment. KHC's goal is to avoid any federal recapture of funds, and KHC will take the necessary steps to ensure this does not occur.
- Reallocate funds to another eligible project, if KHC deobligates funds or has funds uncommitted.

### Match and Leverage Requirements for HOME-funded Projects

Beginning with the 2017 HOME funding round, Match and Leverage is no longer required; however, KHC reserves the right to implement this requirement in future funding rounds.

### Eligible Activities: KHC Single-Family Homebuyer Program

#### Activities Eligible for HOME Funding

HUD allows a wide variety of activities under the HOME Program. KHC strives to maintain a great deal of flexibility in how the funds can be utilized to maximize the opportunities to create or maintain affordable housing of all types across Kentucky. The following project types may be eligible for HOME funding as identified in KHC's Consolidated Plan and Annual Action Plan:

- New construction;
- Acquisition, rehabilitation, and re-sale of existing single-family dwellings;
- Site development combined with new construction;
- Construction financing;
  - **NOTE: Community Housing Development Organizations (CHDOs) may retain any surplus HOME financing, defined as the difference in interim construction financing and total permanent financing remaining in the unit (combined developer gap subsidy and direct homebuyer subsidy) as CHDO proceeds per 24 C.F.R. §92.300(a)(6)(ii). However, surplus HOME financing for developers that are not CHDOs is classified as program income per 24 C.F.R. §92.503. KHC will allow non-CHDO developers to carry forward surplus HOME financing for use as interim construction financing or permanent gap financing (developer or buyer) on subsequent homes developed under this award. In other words, a non-CHDO developer can revolve surplus HOME funds throughout the development of homes under this grant award. Once all homes supported under this grant award are completed and sold, all surplus HOME financing remaining following the sale of the final HOME-funded unit created under this award must be returned to KHC as program income.**
- Rehabilitation of owner-occupied units;
- Demolition and reconstruction of owner-occupied units;
- Relocation expenses, when combined with other HOME-eligible expenses;
- Reasonable administrative costs; and/or
- Conversion of existing affordable housing.

**NOTE: KHC will not allow HOME funds to support administrative costs for single-family development. Such costs should be supported via Developer Fees and/or Builder's Overhead/Profit + General Requirements line items in the KHC Single-Family Homebuyer Development Set-Up/PCR Packet<sup>1</sup> "2) TDC" tab submitted for each specific local project.**

Activities Eligible for AHTF Funding

- Provision of matching funds for federal housing dollars requiring a local or state match including, but not limited to, the National Affordable Housing Act of 1990;
- Acquisition of housing units for preservation or conversion as very low-income housing;
- New construction or rehabilitation of very low-income housing units (including down payment, closing costs, and principle reduction);
  - *Note: AHTF moneys may be requested to provide up to 100 percent of the rehabilitation/construction costs per unit as interim construction financing.*
    - *However, any surplus AHTF financing, defined as the difference in interim construction financing and total permanent financing remaining in the unit (combined developer gap subsidy and direct homebuyer subsidy) is classified as program income. KHC will allow developers to carry forward surplus AHTF financing for use as interim construction financing or permanent gap financing (developer or buyer) on subsequent homes developed under this award. In other words, a nonprofit developer can revolve AHTF funds throughout the development of homes under this grant award. Once all homes supported under this grant award are completed and sold, all surplus AHTF financing remaining following the sale of the final AHTF-funded unit created under this award must be returned to KHC as program income unless partner requests the funds to be recycled to produce an additional unit in the project.*
- Matching funds for technical assistance directly related to providing housing for persons pursuant to KRS §198A.700 to §198A.730.

**NOTE: KHC will not allow AHTF funds to support administrative costs for single-family development. Such costs should be supported via Developer Fees and/or Builder's Overhead/Profit + General Requirements line items in the KHC Single-Family Homebuyer Development Set-Up/PCR Packet<sup>1</sup> "2) TDC" tab submitted for each specific local project.**

Direct Subsidy for Single-Family Homebuyer Construction Projects without Construction Financing

As stated in the "Ineligible Activities" section below, "down payment, closing costs, and/or principal reduction for the acquisition of a unit not constructed or rehabilitated by the developer under this funding cycle" is an ineligible activity. In some AHTF or HOME-funded single-family homebuyer new construction or acquisition/rehabilitation/resale projects the appraised value/sales price exceeds the total development cost and no construction development gap financing is necessary. In these cases, the developer can request only down payment assistance (direct subsidy) for a homebuyer development project without requesting AHTF or HOME interim construction financing. The Project Summary in the *KHC Single-Family Homebuyer Development Set-Up/PCR Packet<sup>1</sup>* for such projects should clearly state that only direct subsidy is necessary for the sale of the newly constructed (or rehabilitated) home as market conditions do not necessitate development gap financing.

**NOTE: If HOME funds are used for such projects, the expenditures are not CHDO-eligible.**

Owner-Occupied Replacement Housing- HOME and AHTF

KHC will allow developers to replace substandard, owner-occupied housing units<sup>4</sup> with **unlike stick-built housing constructed on site or unlike modular housing constructed remotely and assembled on site as an eligible homebuyer new construction activity without property acquisition** as allowed by the HOME program under 24 CFR §92.254(d). In these cases, the developer will build housing on property currently owned by the household that will occupy the housing upon completion. Such replacement housing activities will also be permitted with AHTF funding. **NOTE: While this is a HOME-eligible activity it is NOT a CHDO - eligible activity because the developer will not obtain fee-simple title to the owner-occupied property as is required for a CHDO activity under 24 C.F.R. §92.300(a)(6).** Such owner-occupied replacement projects will not generate CHDO Proceeds.

The assisted household must document ownership of both the land and the housing unit to be replaced prior to contracting for the development of the replacement housing with the developer. The assisted household must also obtain permanent financing for the replacement housing prior to funding release. The developer should underwrite the development of replacement housing as it would any other homebuyer new construction project without land acquisition costs. HOME or AHTF funding can provide direct subsidy to the homeowner to offset the difference between other grant and loan funds available to the homeowner and the appraised value of the replacement housing up to the direct subsidy cap of \$40,000. AHTF or HOME funds that are a direct subsidy to the homeowner must be secured as noted in the "Collateral" section of this document. The difference between the appraised value of the replacement housing and total development costs can be offset as HOME or AHTF development gap funding. The project set up for such replacement housing must be fully documented using the newest *KHC Single-Family Homebuyer Development Set-Up/PCR Packet*<sup>1</sup> with all required supporting documentation.

*Should Awardees wish to replace existing owner-occupied housing with like housing or conduct a complete rehabilitation of an owner-occupied unit, it is considered an eligible homeowner rehabilitation activity per HOME regulations found at 24 CFR §92.205 and not a homebuyer activity. It is also considered a homeowner rehabilitation activity for AHTF. KHC will permit developers to request a waiver to substitute a homeowner rehabilitation unit for an awarded homebuyer unit. In this case, the developer will not be allowed to charge a developer fee on the project and can only request reimbursement for construction costs up to \$60,000 plus a 7.5 percent administrative fee. All units assisted under such a waiver must be brought up to Kentucky Code and meet KHC Minimum Design Standards.*

Single-Family Development Projects where the Homebuyer Owns the Land Prior to Construction OR a Relative or Friend of Homebuyer Provides Land for Development

In cases where a prospective homebuyer either owns or has been gifted vacant land where the home will be newly constructed, the developer must take title to the property prior to construction for it to be considered a CHDO-eligible activity per 24 C.F.R. §92.300(a)(6). In these cases where the acquisition of the property is not an "arms-length" transaction, the developer should acquire the property for the nominal fee of one dollar (\$1.00) and the property seller and the developer must execute the *Certification of Seller and Developer for Land Acquisition Below Appraised Value* located on the HCA Partner Agency Portal (<https://kyhmis.zendesk.com/>) under "Homebuyer Development (HOME/AHTF)/Single-Family Homebuyer Development Program-Related Tools and Documents." **NOTE: In such a case DO NOT enter the value of the donated land in the Building & Property Acquisition section of the KHC Single-Family Homebuyer Development Set-Up/PCR Packet<sup>3</sup> "2) TDC" tab submitted for the specific local project. If the buyer or buyer's family donated the land, it may be entered as a subsidy under the "4) Buyer Affordability Tab" of the Set-Up Packet.**

<sup>4</sup> Units failing to meet KHC Habitability Standards and manufactured housing units constructed before 1976.

### Additional Considerations

- Acquisition of vacant land or demolition must be undertaken only with respect to a housing project intended to provide affordable housing. Note: the use of AHTF or HOME funds must result in a unit of affordable housing. Land acquisition or demolition that does not result in a unit of affordable housing is ineligible. **NOTE: If a HOME-funded project requires demolition of an occupied property, compliance with the [Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970, as amended \(URA\)](#). If relocation is required for a prospective development contact KHC at [hcadev@kyhousing.org](mailto:hcadev@kyhousing.org) as soon as possible to discuss.**
- If the project proposes demolition and reconstruction, the dilapidated structure must be demolished. In the event of a mobile home replacement, the dilapidated mobile home must be demolished or salvaged (a salvage title must be obtained) and the salvage value should be reinvested into the new unit. For all demolition and reconstruction projects, a demolition agreement must be executed with the property owner.
- Developers are responsible for ensuring that housing units are properly insured during the construction and/or rehabilitation process. Developers must also ensure that the assisted property remains insured throughout the affordability period.
- For all properties assisted with AHTF or HOME funds, the homeowner must maintain all risk, fire, and extended insurance coverage, in form and with companies acceptable to the developer, for each homeowner or homebuyer activity, in an amount not less than the HOME or AHTF investment in the property. Each policy must include appropriate loss payable clauses in favor of Kentucky Housing Corporation, as beneficiary, and without right of cancellation or change except upon thirty (30) days' written notice to developer. Homeowner will deliver proof of all insurance to the developer at closing and via subsequent verifications of occupancy status.
- Manufactured housing.
  - AHTF or HOME funds may be used to purchase and/or rehabilitate a manufactured housing unit or purchase the land where a manufactured housing unit is located. Any manufactured unit must, at project completion, be on a permanent foundation, be connected to permanent utility hook-ups, and be located on land that is owned by the manufactured housing unit owner or land for which the manufactured housing owner has a lease for a period at least equivalent to the applicable period of affordability.
  - Manufactured housing must meet all applicable state and local construction standards, the HUD Manufactured Home Construction and Safety Standards (24 CFR Part 3280), and the HUD Manufactured Housing Installation Standards (24 CFR Part 3285). The real property on which the manufactured home is located must also meet all zoning requirements.
  - Manufactured housing may qualify as an eligible HOME CHDO activity, provided the CHDO is acting as the developer a project in accordance with all HOME Program requirements. To be a CHDO-eligible activity, the CHDO must undertake the final development of the housing unit by removing the drawbar and coupling mechanism, running gear assembly, tires, and lights. Additionally, the CHDO must install the unit on a permanent foundation, finish the interior, install the flooring systems, HVAC systems, plumbing system, and roofing system, as well as adhere to all KHC's Minimum Design Standards.

- A manufactured home that is built on a chassis (as opposed to modular housing, which is constructed off site and delivered by truck) is issued a motor vehicle title. Recording a mortgage against the real property to secure a loan does not automatically secure the home in these cases. Recording a mortgage and a motor vehicle lien protects the lien. Alternatively, provided the manufactured home is permanently attached to a foundation (with axles and towing gear removed), the developer and homeowner may surrender the Kentucky Certificate of Title and file an Affidavit of Conversion to Real Estate with the county clerk in the county where the property is located. By doing this, a mortgage is the only lien required. The manufactured home becomes “real property” instead of “personal property.”

### **Ineligible Activities**

In addition to the activities that are prohibited by the HOME regulations, KHC considers the following activities ineligible for HOME or AHTF Homebuyer funding:

- Finished basements. Partially finished basements may be permitted on a case-by-case basis if the existing topography of the site would yield a sub-surface area large enough to be usable by the assisted household. This activity would require prior approval.
- Luxury items including but not limited to:
  - Swimming pools.
  - Fences (other than those required for security).
  - Television satellite dishes.
  - Any upgrades (see definition below) not approved with through the waiver process and included in plans and specifications.
- Non-essential landscaping (unless installed as part of a green building design) and other yard or nonstructural improvements.
- Rehabilitation of accessory structures, unless specifically authorized by KHC for health and safety reasons.
- Additional rooms, except to comply with Kentucky Residential Code.
- Rehabilitation damaging to the historical character or value of a structure as determined by the State Historic Preservation Office of the Kentucky Heritage Commission.
- Refinancing of existing debt.
- AHTF or HOME assistance of less than \$1,000.
- Down payment, closing costs, and/or principal reduction for the acquisition a unit not constructed or rehabilitated by the developer under this funding cycle.
- Reconstruction of a unit that was not standing at least 12 months prior to the commitment of HOME funds (HOME only).
- Provide assistance (other than assistance to a homebuyer to acquire housing previously assisted with AHTF or HOME funds) to a project previously assisted with AHTF or HOME funds during the period of affordability established by the written agreement.
- Payment of delinquent taxes, fees, or charges on properties.

Note: Upgrades may be approved by KHC, but developers have sole discretion to choose whether they will allow upgrades. If offered, a specific upgrade policy must be established in the developer's written homebuyer program policies and procedures. KHC will approve upgrades on a unit-by-unit

basis if requested via KHC's online waiver system.

To submit an upgrade for consideration of approval, developers must include the upgrade in revised plans and specifications, which must then be submitted to KHC's Design and Construction Review department for approval. The online upgrade waiver request for a specific unit must describe the upgrades, price differences, how the upgrades will be funded, and include the developer's written program procedures for upgrades. The project set up must incorporate upgrade costs in the Total Development Costs worksheet of the Project Set-up.

Upgrades are defined as the following:

- Garages, unless required by a neighborhood or subdivision covenant, or are an existing attached structure.
- Upgrades to surfaces, furnishings, fixtures, appliances, materials, etc. that are beyond the minimum needed to meet Minimum Design Standards.  
Examples of upgrades, may include but are not limited to the following:
  - Granite countertops
  - Custom cabinets
  - Wood flooring
  - Tiled shower
  - Jacuzzi tub (tub with jets)
  - Stainless steel smart refrigerator
  - Wood or brick siding

#### **HOME CHDO Set-Aside**

Organizations seeking designation as a CHDO must submit a complete CHDO application with all required supporting documents to KHC annually prior to the commitment of HOME funding via project-specific written agreements

For organizations to utilize CHDO set-aside funds, the activity must include one of the following:

- Acquisition **and** moderate-to-substantial rehabilitation of existing home (minimum of \$5,000 in rehabilitation); or
- New construction of a homebuyer property.

HOME CHDO set-aside funds **must** be used during the construction or rehabilitation of a housing unit.

All CHDO set-aside funds must be expended within 5 years of the date KHC receives its formula allocation.

#### CHDO Proceeds

Developers certified as CHDOs may be authorized to retain proceeds from the sale of a property developed with HOME funds where the developer has fee-simple title to the property prior to construction. Developer must use any CHDO Proceeds which it is authorized to retain for HOME- eligible or other housing activities to benefit low-income households with incomes at or below earning 80% of Area Median Income as adjusted for family size, as allowed under 24 C.F.R. §92.300(a)(6)(ii)(A). Examples of affordable housing activities which may be funded with CHDO Proceeds include: emergency repairs, project operating costs and

reserves, housing refinancing costs, Developer's operating expenses, and homebuyer counseling. CHDO Proceeds which are retained by Developer are not subject to the requirements of the HOME regulations, except for §92.300(a)(6)(ii)(A). Thus, the Davis-Bacon Act, National Environmental Policies Act and Uniform Relocation Assistance and Real Property Acquisition Policies Act do not apply to the use of CHDO Proceeds. However, because CHDO Proceeds are derived from the expenditure of HOME funds, any activities which are funded with CHDO Proceeds may not be contributed as HOME match. Funds generated from the use of CHDO Proceeds are not CHDO Proceeds. CHDO Proceeds are governed by the Developer Written Agreement for the project that created them.

**KHC will not allow CHDOs to retain proceeds on units that place a third lien on the property with a payable note that takes the place for needed additional subsidy that could have been negated with HOME homebuyer subsidy funding (up to \$40,000).** (Developers should maximize all available homebuyer grant subsidy, including HOME and other sources, such as FLHB AHP before placing an additional, payable lien on a property.)

All CHDOs will be required to submit to KHC quarterly reports that document uses of CHDO proceeds, CHDO proceeds earned, and CHDO proceeds net balance for the prior quarter. Failure to use existing CHDO proceeds on eligible activities may result in caps on retention of CHDO proceeds for future specific local projects.

**NOTE: KHC may choose to implement a cap on CHDO Proceeds to be retained for each specific local project. The amount of CHDO proceeds to be retained and/or returned to KHC will be established in the project-specific HOME written agreements.**

### **Construction Requirements**

All construction must comply with all applicable KHC design and construction standards at <http://www.kyhousing.org/Development/Pages/Design-and-Construction.aspx>, along with building and residential codes adopted by the Commonwealth of Kentucky. Information for purchasing adopted codes and standards is available through the Kentucky Department of Housing, Buildings, and Construction web site at <http://dhbc.ky.gov/bce/bc/Pages/default.aspx>.

#### Construction Management

- Developers must develop construction management procedures that outline contract provisions for the contractor and subcontractors, payment requests, forms to be completed, inspection procedures, and project completion procedures.
- Developers must establish and maintain a current listing of qualified contractors based on experience (unless the developer utilizes only in-house crews) who are interested in doing new construction and/or rehabilitation work. At a minimum, agencies should annually advertise a request for qualifications. Every effort must be made to ensure that the bidding is fair and open.
- A full work write-up with line-item cost estimates must be submitted to KHC as part of the newest *KHC Single-Family Homebuyer Development Set-Up/PCR Packet*<sup>2</sup>.
- KHC will determine the feasibility and cost reasonableness of the project prior to project approval.
- All variances from KHC's design and construction standards must be submitted to KHC prior to project set-up. KHC will determine the feasibility of the variance and issue a written response to any variance request.
- Contractors hired by the developer must submit a request for payment with lien waivers and affidavits to the developer with each pay request. The developer must inspect the property to

- determine that the work completed is valued at an amount equal to the progress payment requested. If the work completed is not in compliance, it is the responsibility of the developer to obtain appropriate corrective action from the contractor before requesting payment from KHC. The contractor must be notified at the time of inspection of any necessary corrective action to enable the developer to make a progress payment. This notification must be included in the case file.
- Housing that is newly constructed with HOME funds must be constructed as to mitigate the impact of potential disasters (e.g., earthquakes, floods, wildfires) in accordance with state and local laws.

#### Change Orders

**Any changes in the approved plans and scope of work must be approved by a KHC construction specialist before the change of work scope occurs.** Proposed changes should be submitted to KHC in the form of a detailed Change Order submitted on proper forms and executed by all parties. Change Orders must be approved by KHC prior to beginning the work and include the Change Order amount in the Draw Request.

#### **Construction Contingency**

**KHC mandates that developers to incorporate a 5 percent to 7.5 percent construction contingency for new construction projects and a 7.5 percent to 10 percent construction contingency for rehabilitation projects.** This is to be calculated as a percentage of the total construction costs budgeted for each specific local project. However, if a construction contingency is added to the cost estimate, it should not be considered an automatic project cost. Construction contingency is designed to help developers pay for unforeseen cost overages. Uses of construction contingency must be documented via change orders. If the amount budgeted for construction contingency on a unit is insufficient to meet the cost overage, **the developer must then use their developer fee to meet these costs before requesting additional funds from KHC.**

#### **Inspections**

All homebuyer units funded by KHC must be inspected by KHC staff, regardless of funding source. Units are to be inspected for code compliance as well as reviewed to meet all KHC design requirements. Inspection reports for all project units must be kept on file by the developer. Developers shall provide to KHC representatives the final inspection report with the close-out documentation.

New construction units selected by KHC for inspection will be inspected a minimum of three times each. For new construction, these inspections will be at the following stages:

- Footing (after excavation of footings and before footing concrete is poured)
- Interim (any time between completion of wall insulation and hanging of drywall)
- Completion (100% complete including landscaping and site work and before move-in)

Rehabilitation units selected for inspection will be inspected a minimum of one time each. Rehabilitation project units will, based on the work scope of the project, be inspected at the following stages as applicable: (Contact your KHC Construction Specialist for guidance.)

- Under-roof/weatherization
- Interim (any time between completion of wall insulation and hanging of drywall)

- Completion (100% complete, including removal of waste materials)

**NOTE: The inspection stages and percentage of work completed may not directly correspond to the percentage of KHC funds that may be requested.**

**NOTE: A representative from the developer must attend each inspection.**

**All developers must enter into a Memorandum of Agreement (MOA) with KHC governing inspections for homes funded under this cycle.** The MOA template can be found on the [HCA Partner Agency Portal](#) under "KHC Inspections." All inspection costs should be included in the Total Development Costs budget for each unit provided on the "TDC" tab of the newest Set-Up/PCR Packet. Specifically, charges for KHC inspections should be included on the "Inspection & Draw Fees" line item of the "Carrying and Financing Costs" section of the "2) TDC" tab of the *KHC Single-Family Homebuyer Development Set-Up/PCR Packet*<sup>1</sup>.

Per the MOA, the cost for inspections shall be per the following schedule:

Footing Inspection (all excavation complete; all steel properly in place; all from work complete)	\$200
Rehab Inspection (per unit) <sup>5</sup>	\$200
Framing Inspection (rough in mechanical, electrical, plumbing, and wall insulation complete) <sup>6</sup>	\$225
Final Inspection	\$225
Onsite Re-Inspection	\$200
Re-Inspection via Electronic Document Review (may be performed in lieu of onsite re-inspection at KHC's discretion)	\$100
Plan, Specification, Energy, and Modification Review for Rural Development	\$50

KHC will charge the "Onsite Re-Inspection" fee of \$200 under the following circumstances:

- Units on which a KHC inspector must perform more than one final inspection due to the project not being 100% complete.
- Failure by the developer to provide a representative on the project site during the inspection to provide access.
- Unsuccessful attempts due to the developer not coordinating the inspection with other involved parties which renders the unit inaccessible for inspection.
- A hazard exists on the project site at the time of inspection which endangers the welfare of the inspector. Examples: insect infestation, poisonous snake infestation, uncontrolled animals, etc.

The reinspection fee must be paid to KHC prior to any additional funds being drawn from KHC. This fee cannot be paid using HOME or AHTF. A re-inspection fee will not be charged for follow-up inspections to verify correction of deficiencies observed during any inspection.

<sup>5</sup> Should Developer desire inspection of rough-in work in connection with a rehab inspection, Developer shall notify KHC before such work is covered. An additional requested final inspection will require an additional Rehab inspection fee.

<sup>6</sup> Prior to KHC performing a rough-in or final inspection, electrical, plumbing and HVAC inspections must be completed by a Kentucky licensed inspector having jurisdiction.

## Draw Requests

KHC will allow a maximum of three draw requests per unit for home buyer projects. (In extenuating circumstances, KHC may allow additional draws.) Each draw request must be approved by a KHC construction specialist. Draw amounts should be proportionate to the percentage of completion of the unit and represent only incurred costs that can be documented. The first two draws must not exceed 90% of KHC funding to ensure a 10 percent retainage in HOME or AHTF is held. KHC reserves the right to reduce any draw that is requesting excessive funds compared to the percentage of construction completed at the unit.

At completion of each unit, the developer may submit a final draw to KHC, **which must be done within 90 days of the unit closing**. No funds will be paid by KHC on a unit deemed non-compliant of any applicable code or KHC standard by a KHC Construction Specialist. The final draw request must also include required closeout documentation, including completed PCR tabs from the *KHC Single-Family Homebuyer Development Set-Up/PCR Packet*.<sup>1</sup>

## Eligible Costs for HOME Funds

- **Project costs (24 CFR §92.206)**. HOME funds may be used to pay development hard costs, acquisition costs, related soft costs (including architectural, engineering, or related professional services if incurred not more than 24 months before the commitment of HOME Funds if the Funding Agreement expressly permits these costs), CHDO costs set forth in 24 CFR §92.301, relocation costs, and costs relating to payment of loans; all of which are described in 24 CFR §92.206(g). NOTE: KHC does not allow for refinancing costs.

## Homeownership Definition

- HOME defines homeownership as fee simple title (title must be clear and free from defects), or a 99-year leasehold interest in a one- to four-unit dwelling, or equivalent form of ownership approved by KHC or HUD.
- Inherited property with multiple owners, life estates, inter vivos trust, living trusts, and beneficiary deeds are all considered eligible forms of ownership; even though they do not meet the definition of homeownership in 24 CFR §92.2.
- Ownership must be proven and title searches must be completed prior to the investment of HOME funds. NOTE: Property assisted with HOME funds will not be eligible for additional assistance during the affordability period.
- Land contracts and Contracts for Deed **are not** an eligible form of ownership.
- The AHTF program will abide by the HOME Homeownership Definition.

## Eligible Beneficiaries: HOME & AHTF

### Eligible Beneficiaries of HOME Funds

All program beneficiaries must:

- Be Kentucky residents;
- Occupy the property as a principal residence; and
- Be low-income; that is, have an annual (gross) income that does not exceed 80 percent of median income for the county in which the household resides.

HUD's income limits are typically updated each spring. The most recent income limits can be found at: <https://www.hudexchange.info/programs/home/home-income-limits/>

#### Eligible Beneficiaries of AHTF Funds

All program beneficiaries must:

- Be Kentucky residents;
- Occupy the property as a principal residence; and
- Be low-income; that is, have an annual (gross) income that does not exceed 60 percent of median for the county in which the household resides or 60% of the median for the Commonwealth of Kentucky, whichever is higher. KHC publishes applicable [AHTF Income Limits by County](#) annually.<sup>7</sup> These income limits are available on the HCA Partner Agency Portal (<https://kyhmis.zendesk.com>). The [HUD CPD Income Calculator](#)<sup>8</sup> can be used to document AHTF eligibility.

#### **Income Documentation and Determination (24 CFR §92.203)**

The census long-form definition of income has been eliminated. KHC requires that the 24 CFR Part 5 method be used to define income eligibility. When a developer does an income determination to use in determining the eligibility of an applicant for HOME assistance, it must include at least two months of income documentation. KHC does not allow "grossing up" non-taxable income for determining ratios.

#### **Income Verification**

All households assisted must be income-eligible based on the anticipated gross income as determined by the Section 8 method (24 CFR Part 5) of income determination. The income of the applicant includes all household income and the actual or imputed income from assets of all household members. Imputed asset income must be determined using the current passbook savings rate, as published by HUD.

Income and asset verifications are valid for 180 days prior to the execution of the HOME written agreement. If more than 180 days elapse after the verifications are completed, but before the HOME written agreement is executed, the developer must re-verify all household income and assets using the Section 8 method.

When determining income eligibility, at least 2 months' worth of source documentation must be reviewed. The income of ALL adults (18 and over) household members must be counted. The [HUD CPD Income Calculator](#)<sup>8</sup> is a tool that developers can use to help accurately document income.

#### **Homeowner/Homebuyer Protections**

Each developer must develop and utilize a standard program application form that must be completed by each household. If necessary, the developer will provide assistance in preparing the form; especially to the elderly, disabled, non-English speaking persons, and persons who are unable to read or write. **A Uniform Residential Loan Application is not considered a program application for the purposes of this program.**

<sup>7</sup> Current AHTF Income Limits can be downloaded from the HCA Partner Agency Portal at <https://kyhmis.zendesk.com>.

<sup>8</sup> <https://www.hudexchange.info/incomecalculator/>

All households deemed ineligible for assistance must be notified in writing of such determination and the reasons for such determination. The household should also be notified of other potential resources in rehabilitating or acquiring the property for which the household may be eligible and where to apply for such assistance.

Developers should document their efforts to ensure clients are complying with the requirements of the mortgage, loan agreement, promissory note, and deed restriction (as applicable). The HOME Program requires the assisted household occupy the assisted property as its principal residence during the applicable affordability period as do deed restrictions for AHTF-assisted homebuyer activities. Developers should also outline the steps they will take to ensure compliance with the requirements set forth in their application and funding agreement(s).

Closing documents must be prepared in compliance with all applicable federal and state lending protection requirements and given to each household assisted with amortized or forgivable loan funds given to each household assisted with amortized or forgivable loan funds. KHC Mortgage and Note templates must be used and are available on the Homebuyer Development section of the [HCA Partner Agency Portal](#) under the Legal Documents subheader for the appropriate funding source used for the homebuyer project. Closing documents must be submitted for review by the KHC Legal Department at least three weeks prior to closing.

A Right of Rescission statement must be given to all households assisted in home buyer projects in which the assisted household owns the lot.

### **Underwriting Criteria**

#### *Sustainable Homeownership Program Design and Underwriting [24 C.F.R. §92.254(f)]*

HUD has provided specific guidance regarding the way participating jurisdictions must evaluate subrecipients of HOME funds to ensure sustainability for the household while not over-subsidizing. As a result, KHC has adopted the following minimum underwriting criteria to ensure the appropriate amount of HOME or AHTF assistance.

Each developer may impose more restrictive underwriting criteria; however, more *lenient* criteria than those outlined below are not acceptable.

### **Written Underwriting Standards**

#### *Sustainable Homeownership Responsible Lending [24 C.F.R. §92.254(f)]*

KHC's goal is to ensure the sustainability of the homeownership situation for the low-income buyer over time. Underwriting standards for the homebuyer should consider housing debt, total debt, household's recurring expenses, and assets that are available for the purchase. KHC will require every KHC-assisted homebuyer to have a minimum of \$250 in cash reserves at the time the loan is closed. Not all homebuyers will receive the same amount of AHTF or HOME assistance. AHTF or HOME assistance should be based on individual household need.

KHC will examine the terms of **all** private mortgages that homebuyers secure (homebuyers who are receiving, for example, down payment assistance or buying a property) to ensure the terms of the loan are reasonable and sustainable. If the private mortgages contain terms and conditions that are predatory or harmful to the homebuyer or homeowner (such as excessive fees or interest rates, balloon payments, adjustable interest rates, etc.), the homebuyer or homeowner will not be eligible to receive AHTF or HOME funds from KHC. **At least three weeks prior to closing, Developers must submit terms of private homebuyer**

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***mortgage(s) and note(s) along with completed closing documents to [hcadev@kyhousing.org](mailto:hcadev@kyhousing.org) for KHC Legal Department review.***

KHC will also look at the terms of mortgages to ensure terms that are reasonable, standard for the industry, and not predatory or unsustainable. AHTF or HOME funding must be secured by a mortgage in favor of KHC with due-on-sale and refinance clauses to ensure repayment to KHC in the event of a transfer of ownership or a no cash-out refinance any time during the affordability period, a promissory note and deed restriction (as applicable), based on the affordability period.

Underwriting standards for the HOME and AHTF programs should ensure that AHTF or HOME investments and developer returns are not excessive. Underwriting standards evaluate the homebuyer's housing debt, overall debt, monthly household expenses, assets available to acquire housing, and the financial resources available to the household to ensure that the appropriate amount of federal and state assistance being provided is appropriate to afford and sustain homeownership. These underwriting standards are incorporated in the newest *KHC Single-Family Homebuyer Development Set-Up/PCR Packet*<sup>1</sup>.

#### Limit on Investment

KHC will not invest more HOME or AHTF funds than is necessary to provide quality affordable housing that is financially viable. To this end, KHC will examine the sources and uses of funds to determine whether costs are reasonable.

To limit the amount of HOME investment, KHC has established a **minimum** front-end ratio of 20 percent (minimum PITI to gross monthly income cannot be less than 20 percent) to ensure the household is only receiving enough KHC assistance to complete the transaction and is not being over-subsidized. Based on its review, KHC may require the developer to decrease the amount of KHC assistance and increase the amount of borrowed funds. If the review indicates that the household is being provided housing that is excessive in size or amenities, KHC may also require the developer to reduce the size and scope of the project to provide more suitable housing as it relates to the household's current needs. **The goal of the KHC Single-Family Homebuyer program is to help low- income persons obtain safe, quality, and affordable housing that meets their basic housing needs.**

#### Front- and Back-End Ratios

For all homeownership activities, the maximum front-end ratio for principal, interest, taxes, and insurance (PITI) is 29 percent of the assisted household's gross monthly income. The maximum back-end ratio for total long-term debt (six months or longer) plus PITI is 41 percent of the household's gross monthly income. *Waivers may be requested when student loans cause a homebuyer's back-end ratio to exceed 41 percent provided the ratio does not exceed 50 percent.*

#### Liquid Assets

All developers must have a Liquid Asset Policy and must establish a method to evaluate liquid assets and the ability of assisted households to financially contribute to the acquisition, construction, or rehabilitation of their housing to ensure that a minimum amount of KHC funds are used. All households utilizing HOME funds must contribute a minimum of \$250.00 to the transaction. HCA will allow an exception to the minimum \$250.00 contribution and the minimum \$250.00 liquid asset requirement if the **ONLY** source of household income is SSI or SSDI.

Applicant households with non-home assets of more than \$50,000 are ineligible for assistance.

### Home Buyer Value Limits

The sales price of newly constructed housing cannot exceed 95 percent of the median purchase price for the area based on Federal Housing Administration (FHA) single-family mortgage program data for newly constructed housing.

For existing housing, the value limit is the greater of one of the following:

- 95 percent of the median purchase price for the area based on Federal FHA single-family mortgage program data and other appropriate data that are available nationwide for sale of existing housing in standard condition,
- Or the minimum limit (or floor) based on 95 percent of the statewide, nonmetropolitan area median purchase price using this data. This limit encompasses the total purchase/rehabilitation price, regardless of source of financing.

The current limits are subject to change annually. Please check HUD's website at [www.hudexchange.info/home](http://www.hudexchange.info/home) for the most up-to-date information. The limits are also provided by county in the newest *KHC SF Homebuyer Development Set-Up Packet*<sup>3</sup> from the HCA Partner Agency Portal at <https://kyhmis.zendesk.com>

Please note: the purchase/rehabilitation price is the contract purchase price and does **not** include settlement charges.

Cost effectiveness must be considered by the developer. KHC, at its discretion, may review work write-ups and cost estimates to ensure cost reasonableness and reserves the right to reduce funding on projects KHC deems not to be cost reasonable. KHC may also require additional supporting documentation for any activity that appears to have unusual or elevated costs.

### Home Buyer Counseling

Home buyer counseling is **required** for all home buyers receiving HOME or AHTF assistance or purchasing a unit developed with AHTF or HOME funds.

#### Counseling Costs

Counseling costs may be charged:

- as a project-related soft cost; or
- to the homebuyer, if the fee is reasonable.

KHC has not set a policy on the number of hours or length of such counseling but may review each application for reasonableness as a part of the application process.

#### Counseling Provider

KHC may determine the provider (KHC or HUD-approved counseling agency, or other provider), content, and length of the counseling. The counseling curriculum must prepare homebuyers for not only the process of purchasing the home; but also for budgeting, maintaining the home, and everything else during the

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affordability period. Counseling may be provided by a HUD-approved online provider.

KHC recommends, but does not require, that all counseling components meet the current National Industry Standards for Homeownership Education and Counseling. The current voluntary national standards can be found at [www.homeownershipstandards.com](http://www.homeownershipstandards.com).

All housing counselors must comply with the requirements of Subtitle D of Title XIV of the Dodd-Frank Wall Street Reform and Consumer Protection Act and the regulations implementing this Act, including, but not limited to:

- Ensure counseling covers the entire process of homeownership, from the purchase of a home to disposition.
- Ensure homeownership counseling is administered in accordance with procedures established by HUD.
- All developers must comply with the [Final Rule for Housing Counseling Certification published in the Federal Register on December 14, 2016](#).

Information about KHC's post-purchase education is available on KHC's website at <https://www.kyhousing.org/Homeownership/Future-Homebuyers/Pages/Housing-Counseling-and-Education.aspx>.

***NOTE: All homebuyers of HOME-funded units with closing dates after July 31, 2021 MUST receive counseling from a HUD-certified housing counselor who has passed the HUD certification examination and is employed by a HUD-approved housing counseling agency. This deadline was initially implemented as August 1, 2020 as a requirement of the Final Rule for Housing Counseling Certification and HUD Notice CPD-18-09 Requirements for HOME Homebuyer Program Policies and Procedures. However, the Interim Final Rule Housing Counseling Program: Revision of the Certification Timeline issued by HUD on August 5, 2020 extended the deadline until August 1, 2021 in response to the COVID-19 pandemic. Proof of HUD-certified homebuyer counseling for such project MUST be submitted with project close-out documentation for all closings after July 31, 2021.***

[Follow this link for a current listing of HUD-approved Housing Counseling Agencies in Kentucky.](#)

## **Subsidy Requirements**

### **Subsidy Analysis**

Before investing AHTF or HOME funds in a single-family dwelling, the developer must assess if other assistance has been, or is expected to be, made available to that unit. In performing this evaluation, the developer should consider the aggregate amount of assistance from other sources that is necessary to **ensure the feasibility of the assisted project**. Developers should not provide a standard amount of AHTF or HOME funds for each assisted unit. Instead, the household's ability to pay and availability of other loan and grant funds should be evaluated on an individual-unit basis. Only enough AHTF or HOME funds should be used to ensure the housing is affordable to the assisted household. Developers must develop a written policy for this analysis and apply it uniformly to all clients.

Additionally, developers should consider the population being served when conducting the subsidy analysis review. For instance, if the targeted population is 60 percent of area median income, that level of assistance would be different than that necessary for a targeted population that is very low-income (50 percent or lower).

AHTF or HOME funds may be requested to provide 100 percent of the rehabilitation/construction costs per unit as interim construction financing and can be used to permanently provide development gap subsidy. Up to \$40,000 of AHTF or HOME funds may be used to assist home buyers in direct subsidy.

#### **Development Gap Subsidy Requirements**

In the event the total development costs exceed the appraised value, the housing unit may not sell for more than the appraised value. The difference between the total development costs and the appraised value is the development gap subsidy. Development subsidy is only permitted for those developers that undertake homebuyer new construction or acquisition/ rehabilitation/resale activities.

- AHTF or HOME funds may be used for development subsidy. However, development subsidy paid by HOME or AHTF funds may not exceed a total of \$15,000 (\$35,000 until June 30, 2023, or later if an updated public notice issued by KHC) on any one unit unless the following conditions are met:
  - If a unit has a HERS rating of 65 or below, the allowable HOME or AHTF development gap subsidy can be increased to \$20,000 (\$40,000 until June 30, 2023, or later if an updated public notice is issued by KHC)
  - If any unit has a HERS rating of 55 or below, the allowable AHTF or HOME development gap subsidy can be increased to \$25,000 (\$45,000 until June 30, 2023, or later if an updated public notice is issued by KHC)
- In the event the development gap subsidy exceeds \$15,000 (or \$35,000 until June 30, 2023) for a unit that does not meet the HERS rating targets, the developer may use funds from other sources along with AHTF or HOME funds to cover the development gap subsidy above the \$15,000 (\$35,000 until June 30, 2023, or later if an updated public notice is issued by KHC) cap on AHTF or HOME funds.
- Developers will be required to submit documentation to KHC to support the necessity of a development subsidy. This may include, but is not limited to an appraisal, a Certified HERS report, and a detailed final cost breakdown.
- AHTF or HOME funds cannot be used solely for development gap subsidy without some level of direct subsidy to the home buyer. There must be a minimum of \$1,000 of AHTF or HOME funds used as direct subsidy to the end beneficiary.

**Note: For construction projects, KHC-administered funds, except for mortgage revenue bond financing, may not be used to take out another KHC-administered construction source.**

#### **Direct Subsidy: Homebuyer Assistance**

The total amount of AHTF or HOME funds that enabled the home buyer to buy the dwelling unit is considered the **direct subsidy**. This includes any AHTF or HOME assistance that reduces the purchase price from the fair market value to an affordable price but **excludes** development subsidy. All AHTF or HOME funds that are a direct subsidy to the home buyer must be secured as noted in the "Collateral" section of this document. **There must be a minimum of \$1,000 of AHTF or HOME funds used as direct subsidy to the end homebuyer.**

AHTF or HOME funding should be considered "gap financing", and the actual amount of AHTF or HOME permanent investment must be based on the household's need, after all other available sources of financing and subsidy have been maximized. **The maximum amount of direct AHTF or HOME subsidy to be provided to the household is \$40,000 per unit.**

**NOTE: Developers are required to use the MAXIMUM amount of available direct subsidy before adding more long-term debt to the homebuyer in the form of a second, non-forgivable mortgage.**

## Structure and Repayment of KHC Subsidy

Although subject to change, KHC currently permits the HOME or AHTF subsidy for non-CHDO developers to be forgivable on a pro-rata basis per year over the term of the applicable affordability period. These funds must still be secured by a mortgage in favor of the developer with due-on-sale and refinance clauses to ensure repayment to KHC in the event of a transfer of ownership or refinance any time during the affordability period. The mortgage must be assigned to KHC following closing. Developers must use the appropriate mortgage, note, and assignment of mortgage templates for the applicable funding source as found in the Homebuyer Development section of the [HCA Partner Agency Portal](#).

Agencies that are permitted to retain HOME CHDO proceeds or program income, and who can service loans or contract with a servicer, may retain the proceeds or program income for use in another HOME-eligible activity. Those agencies must establish and comply with all HOME program requirements as outline in 24 CFR Part 92 and this manual.

## Collateral

All KHC funds invested, regardless of amount or type of activity, must be secured by a first or second mortgage lien; excluding administrative fees, environmental fees, and development subsidy. These funds must be provided in [the form of a forgivable loan](#).

In the case of mobile homes, HOME funds must be secured by a mortgage lien on the property and a title lien on the mobile home. The debt must be evidenced by a promissory note for the full amount of KHC funds. Lien positions other than a first or second must be approved by KHC in writing prior to closing. The lien position of the KHC mortgage must be in direct relation to the amount of KHC funds invested, i.e., if the KHC mortgage is providing the most funds, it should be in first-lien position.

**KHC requires the incorporation of deed restrictions ensure the affordability period when AHTF moneys are in a project.** The deed restriction must be recorded in the office of the County Clerk of the county in which the property is located. The deed restriction must remain in place for the entire affordability period as outlined in the table below

All developers are required to have promissory notes and mortgages executed for the investment and the duration of the affordability period. All property owners and spouses will be required to execute the mortgage. KHC Mortgage and Note templates must be used and are available on the HCA Partner Agency Portal at <https://kyhmis.zendesk.com> under the appropriate funding source used for the homebuyer project. **Drafts of all legal documents, including terms of all private mortgage(s) and note(s), must be submitted to KHC via the [hcaddev@kyhousing.org](mailto:hcaddev@kyhousing.org) email address at least three weeks prior to closing.**

If the project includes Community Development Block Grant (CDBG) funds, KHC may remove this requirement if it is an involuntary relocation program.

Furthermore, KHC requires that all developers of HOME funds have a homebuyer written agreement with the end beneficiary that meet the requirements of 24 CFR §92.504(c)(5). This agreement must be a standalone agreement (See Homebuyer Written Agreements section).

<i>Affordability Period Requirements KHC Single-Family Homebuyer Development Program</i>		
<b>SOURCE OF FUNDS</b>	<b>DIRECT SUBSIDY INVESTED</b>	<b>AFFORDABILITY PERIOD</b>
HOME and AHTF	\$1,000 - \$14,999	5 years
HOME and AHTF	\$15,000 - \$40,000	10 years
HOME and AHTF	\$40,001 - \$60,000	15 years

### **Insurance**

Developers are responsible for ensuring that KHC-funded Homebuyer units are properly insured during the construction/rehab process. The developer's mortgage document must contain provisions that require the assisted property to remain insured throughout the period of affordability.

For all properties assisted with KHC funds, the homeowner must maintain all risk, fire, and extended coverage; in form and with companies acceptable to developer, for each homebuyer activity, in an amount not less than the total AHTF or HOME investment in the property. Each policy must include appropriate loss payable clauses in favor of KHC as beneficiary, and without right of cancellation or change except upon thirty (30) days' written notice to developer. Homeowner will deliver proof of all insurance to the developer at closing and via subsequent verifications of occupancy status.

### **Annual Verification of Occupancy Status**

Developers are required to **annually** verify homeowners' **compliance** with residency requirements established by the terms of their Homebuyer Written Agreement, mortgage, note, and deed restriction (as applicable) for the duration of the Period of Affordability (PoA) **governing the assisted unit**. Methods by which developers could document this include, but are not limited to:

- calling homeowner(s) and get oral verification and documenting the call with a memo to file;
- sending owner(s) a written verification form that they could sign and return via mail or email; and/or
- reviewing property tax records to verify that owner's address is same as unit address and documenting the verification with a copy of the tax record and/or a memo to file.

For HOME specific local projects, this obligation is established by Section 3.5 Developer's Compliance Monitoring Obligations of the HOME Developer Written Agreement, which reads "Developer is responsible for monitoring Buyer's compliance with HOME requirements, including the principal residence requirement of 24 C.F.R. §92.254(a)(3), throughout the Affordability Period. Developer shall submit to KHC annual documentation demonstrating Buyer's continued compliance with HOME requirements."

For specific local projects supported with AHTF moneys, this obligation is established by Section 3.3 of the AHTF Grant Agreement, which reads, in part, "Developer is responsible for monitoring Buyer's compliance with AHTF requirements, including the principal residence requirement, throughout the Affordability Period. Developer shall submit to KHC annual documentation demonstrating Buyer's continued compliance with AHTF requirements."

### **Recapture [24 C.F.R. §92.254(a) (5)].**

For homeownership activities, KHC requires all AHTF or HOME funds to be repaid at the time the property is transferred to another owner.

If the property is sold, leased, refinanced, or no longer used as the primary residence of the assisted homeowner; KHC may recapture the AHTF or HOME funds. In the event the net proceeds from a sale are insufficient to repay KHC the HOME or AHTF investment, KHC will recapture the **net proceeds**. In the event of foreclosure, if the shared net proceeds are insufficient to repay the HOME funds, the HOME affordability may be terminated, subject to 24CFR Part 92.254(a)(5)(ii)(A).

In the event an heir does not meet the 80 percent AMI limit on HOME-funded properties, the HOME investment must be recaptured.

### **Fees**

#### **Developer Fee**

For **new construction** (which includes demolition/rehabilitation) projects, developer fee cannot exceed the lesser of:

- 15 percent of the total development costs; or
- \$15,000.

For **acquisition/rehabilitation/resale** projects, the developer fee is determined as follows cannot exceed the lesser of:

- 20% percent of rehabilitation costs;<sup>9</sup> or
- \$15,000.

The developer fee is a soft cost (24 CFR §92.206(d)(2)) and is considered part of the total development cost. **Any increase in project costs must be paid first from developer fee prior to requesting additional funds from KHC.**

#### **Lending Fee**

Lenders cannot charge fees for HOME and AHTF dollars.

### **Program Income**

Surplus HOME financing, defined as the difference in interim construction financing and total permanent financing remaining in the unit (combined developer gap subsidy and direct homebuyer subsidy) for developers that are not CHDOs is classified as program income per 24 C.F.R §92.503. KHC will allow non-CHDO developers to carry forward surplus HOME financing for use as interim construction financing or permanent gap financing (developer or buyer) on subsequent homes developed under this award. In other words, a non-CHDO developer can revolve surplus HOME funds throughout the development of homes under this grant award. Once all homes

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<sup>9</sup> For the purposes of determining allowable developer fee in acquisition/rehabilitation/resale projects, "rehabilitation costs" include any necessary and customary development hard and soft costs, but exclude the developer fee, permanent financing fees, and the cost to acquire the unit  
KHC Single-Family Homebuyer Development Program

supported under this grant award are completed and sold, all surplus HOME financing remaining following the sale of the final HOME-funded unit created under this award must be returned to KHC as program income and recorded in IDIS if HOME funds. Community Housing Development Organizations (CHDOs) may retain any surplus HOME as CHDO proceeds per 24 C.F.R. §92.300(a)(6)(ii) if approved in a specific local project's set up.

All AHTF program income must be returned to KHC. AHTF program income will most likely be generated when AHTF moneys are used as interim construction financing in an amount greater than total permanent financing remaining in the unit (combined developer gap subsidy and direct homebuyer subsidy). Such surplus AHTF funds are defined as program income and must be returned to KHC following the sale of the assisted home. However, KHC will allow developers to carry forward surplus AHTF financing for use as interim construction financing or permanent gap financing (developer or buyer) on homes developed under this award following the closing and final draw on the first home completed using AHTF construction financing under this award. All surplus AHTF financing remaining following the sale of the final AHTF-funded unit created under this award must be returned to KHC as program income.

### **Fair Housing, Equal Access and Affirmative Marketing Requirements**

Developers must comply with all Fair Housing requirements, including:

- Equal Access to Housing in HUD Programs Regardless of Sexual Orientation or Gender Identity (2012 Equal Access Rule) and
- Equal Access in Accordance with an Individual's Gender Identity in Community Planning and Development Programs (2016 Equal Access Rule)

To be eligible, agencies must be able to satisfactorily address the impediments to fair housing. These impediments are defined in Kentucky Housing Corporation's document entitled 2019 Analysis of Impediments to Fair Housing Choice. Developers shall not discriminate or deny assistance to any person because of race, religion, age, sex, sexual orientation, gender identity, national origin, familial status, marital status, disability, or actual or perceived sexual orientation or gender identity.

Affirmative marketing requirements and procedures also apply to all HOME-funded programs, as outlined in 24 CFR Part 92.351 and all AHTF-funded programs must also follow these requirements.

### **Displacement, Relocation, and Acquisition**

KHC must take all reasonable steps to minimize displacement and follow the requirements for relocation in accordance with the requirements of 24 CFR §92.353. These standards will also be applied to AHTF-funded activities.

### **Other Requirements**

#### **Audits (24 CFR §92.506)**

Audits of developers will be conducted in accordance with 2 CFR Part 200.

**Recordkeeping (24 CFR §92.508)**

- Developers must maintain sufficient records to enable HUD and KHC to determine whether the developer has met the requirements of 24 CFR §92.508 for HOME-funded projects and grant agreement requirements for AHTF projects. At a minimum, the following records will be required:
  - Program records;
  - Project records;
  - CHDO records (if applicable);
  - Financial records;
  - Program administration records;
  - Records concerning other Federal requirements for HOME-funded projects including:
    - equal opportunity and fair housing records;
    - affirmative marketing and MBE/WBE records;
    - records demonstrating compliance with environmental review requirements;
    - records demonstrating compliance with the requirements of 24 CFR §92.353 regarding displacement, relocation, and real property acquisition;
    - records demonstrating compliance with the labor requirements of 24 CFR §92.354, including contract provisions and payroll records *only if a HOME-funded specific local project results in the creation of 12 or more units of housing*;
    - records demonstrating compliance with federal lead- based paint requirements;
    - records supporting exception to the conflict-of-interest prohibition in 24 CFR §92.3546; and
    - records demonstrating compliance with debarment and suspension requirements.
- **State Recipients.** KHC will require state recipients to keep the records required by 24CFR §92.508(b).
- **Record Retention- AHTF or HOME-funded Activities.** All records pertaining to each fiscal year of AHTF and HOME funds must be retained for 5 years, with the following exceptions:
  - For homeownership housing projects, records may be retained for five years after the project completion date, except for documents imposing recapture/resale restrictions which must be retained for five years after the affordability period terminates.
  - Written agreements must be retained for five years after the agreement terminates.
  - Records covering displacements and acquisition must be retained for five years after the date by which all persons displaced from the property and all persons whose property is acquired for the project have received the final payment to which they are entitled in accordance with 24 CFR §92.353.
  - If any litigation, claim, negotiation, audit, monitoring, inspection, or other action has been started before the expiration of the required record retention period; records must be retained until completion of the action and resolution of all issues which arise from it, or until the end of the required period, whichever is later.

**Conflict of Interest**

All developers, regardless of funding source awarded, must establish a Conflict of Interest policy that adheres to 24 CFR Part 92.356.

Potential conflicts of interest may arise from many situations. Some of the more common examples are:

- Requests for program assistance from employees or families of employees
- Developers contracting with or procuring materials from employees or families of employees

All developers are responsible for identifying situations in which a conflict of interest, whether real or perceived, may exist. If a conflict of interest is identified, the developer must request an exemption by emailing [hcadev@kyhousing.org](mailto:hcadev@kyhousing.org).

Developers must immediately **report** to KHC any real, potential, or perceived conflict of interest, as outlined in 24 CFR Part 92.356, as applicable, regarding the receipt of, assistance provided with, or expenditure of HOME funds. These same standards apply to AHTF activities. For example, a potential or perceived conflict of interest may exist when a relative (sibling, cousin, parent, etc.) of the developer's staff applies for housing assistance through an AHTF or HOME-assisted program or in an AFHT or HOME-assisted property. For additional information, refer to HUD's Integrity Bulletins at <https://www.hudexchange.info/resource/5065/hud-integrity-bulletins/>.

### **Data Breach**

In the event of a data breach, the developer will notify KHC in the most expedient manner possible, and without unreasonable delay, but in no event later than seventy-two (72) hours from the determination of a security breach relating to the data in developer's possession. Developer agrees to comply with all provisions of KRS 61.932, including that the developer shall implement, maintain, and update security and breach investigation procedures which are appropriate to the nature of the information disclosed, at least as stringent as the security and breach investigations procedures and practices in KRS 61.932(1), and reasonably designed to protect the data from unauthorized access, use, modification, disclosure, manipulation, or destruction. On the event of a developer committing an unauthorized disclosure of data listed in KRS 61.932(1)(a) through (f), developers shall provide to KHC a copy of all reports and investigations relating to such investigations or notifications that are required by federal law or regulation.

### **Partner Processes Overview– Single Family Homebuyer Development**

#### Set-up Submission

1. Complete the KHC Single-Family Homebuyer Development Set-Up/PCR Packet<sup>3</sup> on [HCA Partner Agency Portal](#).
2. Review and complete the Set-up Checklist, making sure to attach additional required documents.
  - a. Deed – (to demonstrate site control)
  - b. Project Area Map
  - c. Appraisal (or other supporting appraisal – may include an as-built appraisal or other like appraisal)
  - d. Written Agreement – between developer and buyer
  - e. Word Version of Legal Description (double check to ensure there are no typos)
  - f. Evidence of Clear Title
  - g. Executed MOU
  - h. URA Guide Form Notice
  - i. CHDO Recertification – (one-page document) (*HOME projects only*)
3. Complete ERR using HEROS (<https://heros.hud.gov/>) (*HOME projects only*)
4. Send excel set-up packet, supporting documents, and ERR to [hcadev@kyhousing.org](mailto:hcadev@kyhousing.org).

#### Set-up Approval

Set-up approvals will take 2 – 3 weeks.

### HOME Only

1. KHC will send written agreement to developer for signature.
2. Developer signs the written agreement and emails it back to [hcadev@kyhousing.org](mailto:hcadev@kyhousing.org).
3. Project specialist will email developer the release of funds and attach the executed written agreement between KHC and developer.

### AHTF Only

1. Project specialist will email developer of the release of funds.

### Release of Funds

1. Developer should request to access the project in the Project Management Draw System.
2. Once access is granted, grant funds may be drawn.

### Inspections

1. Inspections are required for every unit:
  - a. Footing (after excavation of footings and before footing concrete is poured)
  - b. Interim (any time between completion of wall insulation and hanging of drywall)
  - c. Completion (100% complete, including landscaping and site work – before move-in)Complete KHC Inspection Request Form, located on the [HCA Partner Agency Portal](#). Submit completed form at least five business days before anticipated inspection date to [KHCinspectionRequests@kyhousing.org](mailto:KHCinspectionRequests@kyhousing.org).

### Draws

Follow Project Management Draw System user manual for guidance on draw submission. A maximum of three draws per unit is permitted, which typically aligns with each inspection. **The final draw must be submitted within 90 days of the unit closing.**

### Completion of a Unit

#### Closing Documents

1. Find the closing documents on the HCA Partner Agency Portal.
  - a. Mortgage
  - b. Note
  - c. Deed Restriction (*AHTF projects only*)
  - d. Homebuyer Written Agreement (*HOME projects only*)
  - e. Assignment of Mortgage (*HOME projects only*)
  - f. Assignment of Note (*HOME projects only*)
2. Fill in all relevant information including the Exhibit A legal description, check for typographical issues
3. **Email all proposed closing documents and all other mortgages and notes associated with the project to [hcadev@kyhousing.org](mailto:hcadev@kyhousing.org) at least three weeks prior to closing** for review by KHC's Legal Department
4. KHC will email approval of the closing documents to developer.
5. Developer closes the loan, including execution of any applicable assignments and the Homebuyer Written Agreement.

6. Developer or developer's attorney records the deed, the mortgage, the deed restriction (if applicable), and the mortgage assignment (if applicable). Mail original of both note and note assignment to the following address:

Kentucky Housing Corporation  
HCA  
1231 Louisville Road  
Frankfort, KY 40601

**Project Close-out**

1. Submit final draw in Project Management Draw System, and mark as "final draw".
2. Attach a clear, high quality pdf of the following documents:
  - a. Excel and signed PDF versions of PCR tabs from the KHC Single-Family Homebuyer Development Set-Up/PCR Packet<sup>1</sup>.
  - b. Deed (with recording information from County Clerk's office)
  - c. Mortgage (with recording information from County Clerk's office)
  - d. Promissory Note
  - e. Deed Restriction (with recording information from County Clerk's office) (*AHTF projects only*)
  - f. Mortgage Assignment (with recording information from the County Clerk's office) (*HOME projects only*)
  - g. Promissory Note Assignment (*HOME projects only*)
  - h. Proof of homeownership counseling for homebuyer.
3. Draw and Project Close-out report will be processed once KHC receives and approves the original note and note assignment as well as all other closing documents.
4. Developer will receive notification once HCA has processed the draw and PCR.

Note: For projects funded with AHTF (or non-CHDO set aside HOME funds), which generates Program Income and proposed using recycle AHTF (or recycled HOME funds), should return the Program Income to KHC, notating the project number on the accompanying documentation. KHC will return the Program Income to the project-level, which will be available to the subgrantee for future set-ups.

## Resources

### HOME Final Rule

[https://www.ecfr.gov/cgi-bin/text-idx?c=ecfr&tpl=/ecfrbrowse/Title24/24cfr92\\_main\\_02.tpl](https://www.ecfr.gov/cgi-bin/text-idx?c=ecfr&tpl=/ecfrbrowse/Title24/24cfr92_main_02.tpl)

### HUD Notice CPD-18-09: Requirements for HOME Homebuyer Program Policies and Procedures.

<https://www.hudexchange.info/resources/documents/Notice-CPD-18-09-Requirements-for-HOME-Homebuyer-Programs-Policies-Procedures.pdf>

### 2 CFR Part 200- Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards

[https://www.ecfr.gov/cgi-bin/text-idx?tpl=/ecfrbrowse/Title02/2cfr200\\_main\\_02.tpl](https://www.ecfr.gov/cgi-bin/text-idx?tpl=/ecfrbrowse/Title02/2cfr200_main_02.tpl)

### KRS Chapter 198A-Low Cost Housing (AHTF Regulations)

<https://apps.legislature.ky.gov/law/statutes/chapter.aspx?id=38084>

### HCA Partner Agency Portal

<https://kyhmis.zendesk.com>

### KHC Design & Construction

<http://www.kyhousing.org/Development/Pages/Design-and-Construction.aspx>

### HOME Income Limits

HUD updates income limits annually. The most up-to-date information can be found at: <http://www.hud.gov/offices/cpd/affordablehousing/programs/home/limits/income/index.cfm>  
Click on the most current year and then on "Kentucky" to find the applicable income limits.

### HUD CPD Income Eligibility Calculator

<https://www.hudexchange.info/incomecalculator/>

### HOME Homeownership Value

The homeownership value limits are subject to change annually, and can be found at: [HOME Maximum Purchase Price/After-Rehab Value - HUD Exchange](#)

### ENERGY STAR Residential New Construction Program Requirements

[https://www.energystar.gov/newhomes/homes\\_prog\\_reqs/national\\_page](https://www.energystar.gov/newhomes/homes_prog_reqs/national_page)

### U.S. Green Building Council

<http://www.usgbc.org>

## KHC Single Family Homebuyer Development Funding Flow Chart



# APPENDIX A

## KHC Quick Reference on KY Building Code

The first statewide adoption of a residential code came in the Fifth Edition of the Kentucky Building Code (KBC) and became mandatory January 1, 1991. The code standard is located in Appendix A, and it referenced the 1989 version of CABO.

- The 1994 KBC keeps the CABO code but references the 1992 edition.
- The 1997 KBC keeps the CABO code but references the 1995 edition.
- In 2002, the Kentucky Residential Code went into effect. This code was based on a few different codes (the history is in the Preface).
- In 2007, the Kentucky Residential Code went into effect. Based on 2006 International residential code with KY changes.
- In 2013, the Kentucky Residential Code went into effect. Based on 2012 International residential code with KY changes.
- In 2018, the Kentucky Residential Code went into effect. Based on 2015 International residential code with KY changes.

For more detailed information and effective dates of code visit <http://bcapcodes.org/code-status/state/kentucky/>.

**Minimum Design Standards for New Construction, Adaptive  
Reuse, and Rehabilitation  
Multifamily Housing Units**

**Kentucky Housing Corporation  
2020 Revision**



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### KHC Minimum Design Requirements

The following minimum design items are for all newly constructed multifamily units constructed under the Kentucky Building Code. For rehabilitation and adaptive reuse projects, items which are added or replaced in the scope of work, must comply with this standard. Multifamily projects consisting of townhouses, duplexes, triplexes, or single family detached structures shall meet KHC’s Minimum Design Standards for “New Construction of Single-Family Dwelling Units” or “Rehabilitation of Single-Family Dwelling Units” as regulated by the Kentucky Residential Code.

KHC’s Minimum Design Standards are a vehicle to promote modern construction and design practices for builders, contractors, and design professionals who utilize funding

from Kentucky Housing Corporation. Other methods of construction and design may be acceptable on a case by case basis. If your design does not satisfy KHC's Minimum Design Standards, please contact the Department of Design and Construction Review for further assistance.

## **Division I: General Requirements**

### **1) Minimum Design Standards:**

- a) Minimum Design Standards shall apply when KHC funding exceeds ten percent (10%) or more of cost per unit to all new construction and reconstruction of multifamily dwellings, all applications involving adaptive reuse converting a former use to residential use and limited rehabilitation projects constructed with funds from the HOME Investment Partnerships Program (HOME), Affordable Housing Trust Fund (AHTF), SMAL, Risk Sharing, Housing Tax Credits and Tax Exempt Bonds.
- b) **This standard shall apply to the proposed scope of work for all rehabilitation of existing multifamily properties and structures.**

### **2) Waiver Process:** Understanding that no single code or standard can cover the infinite number of possible configurations and circumstances that may arise during rehabilitation or construction, a written request for waiver to a KHC requirement will be earnestly considered.

- a) All requests for existing projects are to be submitted electronically using KHC's Universal Funding Application system waiver request form located within the UFA, under the "Other Actions" tab.
  - i) The request must detail the necessity of variance from this code. Photographs are encouraged where necessary to convey understanding.
  - ii) Applicants seeking a waiver to any KHC policy or project requirement, or a modification to KHC funding amounts or terms, must submit this completed modification/waiver request form along with any supporting documentation necessary for KHC to make an informed decision. Each waiver or

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modification request must be submitted on a separate form; two or more waiver requests cannot be combined on one form. All associated fees must be paid at the time the request is submitted; no waivers or modifications will be considered until the fee(s) have been received. Please refer to the Multifamily Program Guidelines for more detailed information.

- 3) **Codes:** All construction shall comply with applicable code and standards listed below:
  - a) Kentucky building and residential construction codes
  - b) Kentucky Housing Corporation's Minimum Design Requirements
  - c) Local planning and zoning requirements
  - d) Local authorities' rules and regulations
  - e) The Fair Housing Amendment Act of 1988 (applies to units constructed for first occupancy on or after March 13, 1991)
  - f) Section 504 of the Rehabilitation Act of 1973
  - g) Americans with Disabilities Act of 1990
- 4) **Soil Treatment-Termite Protection:** A proper and complete termite inspection and appropriate treatment of all property is required.
  - a) The inspection must be completed by a licensed exterminator who shall report any termite activity located and treatment applied.
  - b) A warranty for a period of a minimum of one year on all treatments is required.
- 5) **Radon Reduction:** Passive radon venting is required in all new construction. Rehabilitation projects and adaptive reuse projects where radon levels are known to be at or above 4 pCi/l (Picocuries per liter of air) shall be retrofitted with a venting system.
  - a) A design professional shall design the venting system for all existing structures.
  - b) The radon vent pipe shall pass through a heated portion of the structure and an accessible attic space or chase which will allow adequate working space to possibly install an inline fan.
  - c) Electrical provisions shall be roughed in, in an accessible attic or chase, for possible future installation of an inline fan.

- (1) If in the future it becomes necessary to supply power to the radon fan, power shall be derived from a house metering source and may not be supplied from an individual dwelling power source.
- 6) **Energy Efficiency:** Documentation and/or calculations that the building envelope meets or exceeds the 2012 IECC requirements must be provided from REScheck or other approved software. REScheck is a US Department of Energy free download at: <http://www.energycodes.gov/rescheck/>
- a) **New Construction:** All newly constructed residential building envelope designs shall meet or exceed minimum energy efficiency requirements of the 2012 International Energy Conservation Code (IECC).
- b) **Adaptive Reuse:** All projects involving any combination of adaptive reuse which requires reclassification of building Use Groups as defined by the Kentucky Building Code shall exceed the minimum energy efficiency requirements of the 2009 IECC.
- (1) **This section shall apply to the extent not exempted by the Historic Preservation Office of the State of Kentucky.**
- c) **Rehabilitation:** Rehabilitation projects which do not involve use group changes are not subject to energy efficiency requirements except where new construction or alterations to existing structures occur. In these instances, exposed building cavities and alterations shall be upgraded to comply with applicable provisions of the 2012 IECC.
- (1) **This section shall apply to the extent not exempted by the Historic Preservation Office of the State of Kentucky.**
- 7) **Testing:**
- a) **New construction:** Building envelope and duct system tightness testing must be completed and comply with the 2012 IECC and reported to KHC.
- b) **Adaptive Reuse:** Building envelope and duct system tightness testing must be completed and the results must comply with the 2009 IECC. All testing results must be reported to KHC.

- c) **Testing** for new construction, adaptive reuse, and rehabilitated buildings must verify compliance with the applicable ASHRAE Standard for ventilation and acceptable indoor air quality, (ASHRAE 62.2 or ASHRAE 62.1).
- d) All duct leakage tests must use total leakage as the method of testing when the duct system is outside the thermal envelope. Guarded blower door or compartmentalization blower door testing are the acceptable methods of infiltration verification. A minimum of 10% of the units will be selected by KHC for testing.
- e) **Diagnostic testing** shall be reported by one of the following methods:
  - i) Documentation from a licensed and certified HERS rater.
  - ii) Documentation from a Building Analyst, licensed and certified, by the Building Performance Institute.
  - iii) Documentation from a licensed and certified HVAC contractor, qualified in pressure diagnostic testing of the duct systems and total air infiltration.
  - iv) Documentation from a Weatherization Assistance Program trained Dwelling Needs Evaluator or Energy Auditor.
  - v) Other methods will be considered upon written request
- 8) **Quality Assurance:** General Contractors and/or subcontractors shall furnish a written material and labor warranty on all work.
- 9) **Unit Size Requirements:** The following minimum square foot measurements are required for different types of units. For purposes of this requirement, net square feet are the heated and cooled area of the unit.
  - a) **SRO units:** shall contain at least 150 square feet (common kitchen and bath)
  - b) **Efficiency units:** shall contain at least 400 square feet
  - c) **One-bedroom units:** shall contain at least 600 square feet
  - d) **Two-bedroom units:** shall contain at least 800 net square feet
  - e) **Three-bedroom units:** shall contain at least 1,000 net square feet
  - f) **Four-bedroom units:** shall contain at least 1,100 net square feet
- 10) **Universal Design Requirements:** Projects that receive debt or subsidy financing from KHC equal to ten percent (10%) or more of the total project hard cost for the

purpose of constructing single family or multi-family housing shall comply with KHC's Universal Design Policy.

- a) Please consult KHC's web site for the most current version of the KHC Universal Design requirements:

[http://www.kyhousing.org/uploadedFiles/Housing\\_Production/Design\\_and\\_Construction/UniversalDesignStandards.pdf?n=7407](http://www.kyhousing.org/uploadedFiles/Housing_Production/Design_and_Construction/UniversalDesignStandards.pdf?n=7407)

- b) **Units which are covered by the Fair Housing Amendments Act of 1988** are not required to satisfy Universal Design requirements.

## **Division 2: Existing Conditions**

- 1) **Soil boring and Testing:** All new construction which contains 12 or more units will be required to have a soils analysis test performed by a Commonwealth of Kentucky approved testing laboratory. KHC reserves the right to require a soils test on any project regardless of construction type or unit size. Results of the test shall comply with KBC requirements.

## **Division 3: Concrete**

- 1) **Exterior Concrete:** Shall conform to the latest revised Standard Specification for Portland cement, ASTM C595.
  - a) **All exterior concrete** shall have a minimum 28-day compressive strength of 4000 psi and be entrained with 5 percent air with a minimum cement content of 520 lb per cubic yard (5.5 sacks).

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- b) **Expansion-joint material** shall be ½" thick asphalt-impregnated pre-molded fiber, ASTM D1752. Follow American Concrete Institute (ACI) 318.
  - c) **Concrete driveways and parking areas** shall be minimum 6" thick.
  - d) **Exterior concrete for walks, porches, and stoops** shall be minimum 4" thick.
- 2) **Concrete Finishes:**
- a) **Walkways:** Provide a non-slip finish and provide ¼ inch per foot crown or cross slope in the direction of drainage.
- 3) **Concrete Testing:** All new construction containing twelve (12) or more units will be required to have concrete strength tests performed by a Commonwealth of Kentucky approved testing laboratory. Results of the tests shall comply with the KBC, KHC Minimum Design (this standard), and be provided to the KHC Construction Specialist assigned to the project.

## **Division 4: Masonry**

- 1) **Face Brick:** Shall be ASTM C 216, Type FBS, Grade SW, or equivalent.

## **Division 5: Metals**

- 1) **Metal Ties:** For newly constructed units, metal tie-down or "hurricane" straps shall be used at each bearing location of each roof truss, rafter and ceiling joist.
- a) Correct nails and nailing pattern as required by the manufacturing company of the strap shall be used.
- 2) **Steel Lintels:** Steel lintels, when specified for openings in masonry walls, shall be primed and painted.

## **Division 6: Woods/Plastics/Rough Carpentry/Millwork**

- 1) **Stair Riser and Tread Construction:** Except stairs in individual dwellings, all newly constructed steps shall have a riser not greater than 7" and a tread of 11".
- 2) **Wood Exposed to Weathering Elements:** All exterior wood shall have a minimum preservative retention rate of 25 percent for above ground applications and a minimum preservative retention rate of 40 percent for all wood in contact with the ground.
- 3) **Wood Decking:** Exterior decking shall consist of composite or pressure treated wood material.
- 4) **Exterior Wood Stairs:** Exterior wood stairs shall be constructed with properly treated dimensional lumber.
- 5) **Exterior Handrails:** Exterior handrails shall be constructed of metal or plastic and must meet all other code requirements pertaining to handrails.

## **Division 7: Thermal and Moisture Protection**

- 1) **Minimum masonry siding:** Siding material of all newly constructed buildings shall consist of a minimum of fifty percent (50%) brick, stone, or other KHC approved materials. The bricked area calculation of fifty percent shall not include window and door areas nor brick below finished grade. Elevation plans shall include calculations documenting the percent coverage of all siding types per building.
- 2) **Weather Protection:** All exposed wood shall be protected from weathering by a minimum of one or more of the following materials or methods.
  - a) **Metal:** 0.019" minimum thickness aluminum, factory finish (coil stock).
  - b) **Naturally Durable Wood:** Redwood, Cedar, or other naturally durable woods may be exposed to weathering conditions without cladding or other protective coverings. Stain or sealing exposed wood is required.
  - c) **Composites:** Cement fiber board or other durable material may be used as approved by KHC.
  - d) **Pressure Treated Lumber:** Wood shall have a minimum preservative retention rate of 25 percent for above ground applications.
- 3) **Roof Covering:**
  - a) **Shingles:** Seal tab type over 15 lb. felt, with minimum 25-year product warranty or better.
  - b) **Metal:**

- i) 29-gauge minimum thickness aluminum or galvanized steel with factory finish applied over solid decking.
  - ii) 26-gauge if applied on purlins
- 4) **Gutters and Downspouts:** All structures shall have gutters and downspouts and be appropriately designed per code with a minimum 5" gutter and a 2"x 3" downspout.
  - a) All downspouts shall empty onto concrete splash blocks or be piped to an appropriate location.
  - b) Downspouts shall not discharge directly onto sidewalks or other walking surfaces.
- 5) **Siding:** Exterior siding shall consist of one or more of the following materials or other materials approved by KHC.
  - a) **Composite:** Fiber cement siding, primed, with two-coat minimum finish or factory finish.
  - b) **Metal:** 26-gauge minimum thickness aluminum or galvanized steel with factory finish.
  - c) **Vinyl:** 0.042" minimum thickness, UV protected.
  - d) **Wood:** Cedar or redwood stained or primed once with 2-coat minimum finish.
  - e) **Brick Veneer:** Shall be ASTM C 216, Type FBS, Grade SW, or equivalent, modular size.
  - f) **Artificial stone or brick:** installed to manufacturer's instructions.
- 6) **Insulation:** In new construction, adaptive reuse, and rehab to the extent the structure is exposed, the building thermal envelope shall be insulated to the following minimum values:
  - a) **Floors over unconditioned space:** R-19
  - b) **Exterior walls:** R-20
  - c) **Ceilings:** R-49
  - d) **Slab Foundations:** R-10 continuous
  - e) **Conditioned Crawl Walls:** R-10 continuous
    - i) **This section shall apply to the extent not exempted by the Historic Preservation Office of the State of Kentucky and Kentucky Building code.**
- 7) **Air Infiltration:**
  - a) **New construction structures** shall be air sealed to prevent air exchange between conditioned and unconditioned spaces by the following means.
    - i) Exposed penetrations of floor, walls, and ceilings, such that occur at access openings, electrical wiring and outlet boxes, plumbing piping, and ducts, shall be sealed to prevent free passage of air between conditioned and unconditioned spaces or the exterior.

- ii) Exposed walls in attics, separating the conditioned space of the dwelling unit from the unconditioned space in the attic, shall have an approved air barrier installed on the attic side of the wall.
  - iii) Access doors from conditioned spaces to unconditioned spaces, such as attics and crawl spaces, shall be weather-stripped and insulated to a level equivalent to the insulation on the surrounding surfaces.
  - iv) Recessed luminaries installed in the building thermal envelope, shall be sealed to limit air leakage between conditioned and unconditioned spaces.
  - v) All recessed luminaries shall be IC-rated and labeled as meeting ASTM E 283, when tested at 1.57 psf (75 Pa) pressure differential; with no more than 2.0 cfm (0.944 L/s) of air movement from the conditioned space to the unconditioned space.
- b) **Rehabilitated** structures shall be air sealed to the extent cavities are exposed.

## **Division 8: Doors, Windows, and Glazing**

**This section shall apply to the extent not exempted by the Historic Preservation Office of the State of Kentucky and Kentucky Building code.**

- 1) **Exterior Doors:** New or replacement exterior doors shall be 1 ¾" thick, made of steel or other equally durable material, insulated unless of solid wood (not particleboard) and be appropriately finished as recommended by the manufacturer.
  - a) **Door Energy Ratings:**
    - i) **All opaque exterior doors** shall have a U-factor equal to or less than 0.21.
    - ii) **Doors less than fifty percent (50%) glass** shall have a U-factor equal to or less than 0.27.
    - iii) **Doors greater than fifty percent (50%) glass** shall possess a U-factor equal to or less than 0.32.
  - b) **Unit entry door hardware:** All unit entry doors shall have a lever key-lock latch, doorknocker, security accessories (eyelet and deadbolt), and kick plate.
- 2) **Interior Doors:** New or replacement doors shall be solid wood, composite, or hollow core panel doors.
  - a) **Interior doors** shall be a minimum of 1 ¾" thick.
  - b) **Interior Hardware:** All doors shall be equipped with lever-handle hardware.
    - i) **All bedrooms and bathrooms** shall be equipped with privacy locks.
- 3) **Windows:** All new construction and replacement windows shall meet the following requirements:
  - a) **All window frames** must be of solid vinyl, thermally broken aluminum, fiberglass, wood, or wood clad.

- b) **The vapor seal** on the glazing must have a minimum ten-year warranty.
- c) **The operation** of all windows shall have a minimum one-year warranty.
- d) **All windows** shall have a **National Fenestration Rating** meeting minimum energy code requirements for Zone 4.
  - i) **All windows** shall have a U-Factor equal to or less than 0.32 and an SHGC rating equal to or less than 0.40.

## **Division 9: Finishes**

**This section shall apply to the extent not exempted by the Historic Preservation Office of the State of Kentucky.**

- 1) **Exterior Ceiling:** When using vinyl or aluminum material for porch ceilings, provide a rigid, solid backing such as OSB, plywood, or furring strips per manufacturer's instructions.
- 2) **Exterior Finishes:** Exterior building elements shall be properly finished.
  - a) **Posts and Columns:**
    - i) New construction exterior posts and columns at deck level and above shall be vinyl or aluminum clad, aluminum, fiberglass, metal, or composite material.
    - ii) Rehabilitation projects may repair or replace in kind to the existing construction methods.
  - b) **Handrails:** Exterior handrails shall be smooth vinyl, metal, or composite material, weather resistant, and painted or factory finished.
  - c) **Guardrails:**
    - i) New construction and replacement guardrails shall be vinyl, aluminum, fiberglass, metal, or composite material and finished with a factory or field applied coating suitable for effective weather resistance.
    - ii) Rehabilitation projects may repair in kind to the existing construction methods.
  - d) **Fiber Cement Siding:** Shall be factory finished or be painted with at least two coats of exterior grade paint.
- 3) **Entry Door Floor Finish:** On the interior side of the main entry door within each dwelling unit, there shall be an uncarpeted, finished floor area.
  - a) **This area** shall be no less than sixteen (16) square feet.
- 4) **Finished Floor Treatments:** New construction or replacement interior floor finishes shall meet one or more of the following standards:

- a) **Sheet Carpet:** 25 oz. minimum, 100 percent nylon. Other options include Berber type with blended fiber. In high traffic areas, 30 oz. Minimum is required.
    - i) **Carpet Padding:** Minimum 7/16" thick, 6-lb. re-bond polyurethane.
  - b) **Carpet Tiles:** 20 oz. minimum
    - i) Provide product adhesive and underlayment as recommended by the manufacturer.
    - ii) All surfaces shall be clean, dry, and appropriate temperature during installation.
  - c) **Sheet Vinyl:** Shall be Armstrong or equivalent minimum 10 mil wear layer.
    - i) Provide product adhesive and underlayment as recommended by the manufacturer.
    - ii) All surfaces shall be clean, dry, and appropriate temperature during installation.
    - iii) Vinyl sheet flooring shall conform to the requirements of ASTM F 1303, Type I.
  - d) **Vinyl Tile:** Shall be Armstrong or other approved equal, 1/8" x 12" x 12".
    - i) Provide product adhesive and underlayment as recommended by the manufacturer.
    - ii) All surfaces shall be clean, dry, and appropriate temperature during installation.
    - iii) Follow manufacture's recommendation for pattern layout.
  - e) **Wood Flooring:** Flooring shall be tongue and groove hardwood; factory finished or have a minimum of three coats of site-applied, UV-protective polyurethane.
  - f) **Other Flooring Products:** Ceramic tile, vinyl plank, and laminates shall be installed in accordance with manufacturer's specifications.
- 5) **Interior Doors:** New construction or replacement interior doors shall be factory finished, painted, or stained as follows:
- a) **Paint:** primed once, with two-coat satin, semi-gloss finish on all sides and faces including tops and bottoms.
  - b) **Stain:** stain or oil on all sides and faces including tops and bottoms, with three-coat varnish, polyurethane finish
- 6) **Moisture-Resistant Drywall:** For new construction and areas where drywall is replaced during rehabilitation, Moisture-resistant gypsum board (commonly called "green board") or equivalent must be used on all walls in the bathroom and within six feet in any direction of water sources, where the drywall can be splashed, such as kitchen sink, next to water heater, and/or clothes washer.
- a) For new construction, Water-resistant gypsum board or equivalent shall be provided behind any tub/shower unit located on an exterior wall.
  - b) Water-resistant gypsum, when used on ceilings must be rated for the span.
- 7) **Interior Wall Finishes:**

- a) Dwelling units, common areas, offices, laundries, meeting rooms, and similar spaces intended for use by the residents shall have the interior wall surfaces properly finished with appropriate materials such as drywall or plaster.
  - i) Exposed framing and insulation are not considered a proper finish in these spaces.
- b) Unless factory finished all interior walls shall be covered with one prime coat and two coats flat or satin finish Low-VOC interior latex paint.

## **Division 10: Specialties**

- 1) **Trash Collection:** Provisions for dumpsters or trash cans are required.
  - a) **Screening** of trash cans and/or dumpsters shall be provided.
- 2) **Common Laundry Facilities:** Unless individual units are supplied with laundry facilities, all projects including adaptive reuse and rehabilitation consisting of four (4) or more units shall provide common laundry facilities meeting the following washers and dryers per unit ratios.
  - a) SRO and 1-bedroom units must have a minimum of 1 pair (washer/dryer) for every 20 units.
  - b) 2- and 3-bedroom units must have a minimum of 1 pair (washer/dryer) for every 12 units.
  - c) All calculations must be rounded up to a whole number.
- 3) **Dwelling Unit Laundry Connection Facilities:** All newly constructed dwelling units including adaptive reuse shall be equipped with washer and dryer hookups.
  - i) **Exception:** SROs and efficiencies are not required to provide this hook up facility within the dwelling unit.
- 4) **Roof Offsets:** Projects of four (4) or more attached units shall incorporate varying the roof line with offsets, gable porch roofs, etc.
- 5) **Entries:** The main common entry to each group of newly constructed dwellings or each main exterior entry to individual dwellings shall have a concrete, treated wood, or other hard surface exterior stoop, porch or deck, a minimum of 5' x 5'.
  - a) **All main entries** shall have a roof or awning over the minimum 5' x 5' entry area.

## **Division 11: Equipment**

- 1) **Refrigerator:** A refrigerator shall be provided in all dwelling units.
  - a) **All new and replacement refrigerators must be Energy Star qualified.** The Energy Star mark must be clearly marked on the product, clearly displayed in product literature and listed on the manufacturer's Internet site.
- 2) **Range:** A range shall be provided in all dwelling units.
- 3) **Dishwasher:** A dishwasher shall be provided in all newly constructed units and those resulting from adaptive reuse. Dishwashers shall also be provided in units resulting from rehabilitation activities where they had either previously existed or dwelling units were newly created due to structural change.
  - a) Standard dishwashers shall use less than 4.25 gallons per cycle and 295 kWh per year.
- 4) **Clothes Washers:**
  - a) **All clothes washers provided in individual dwelling units** shall have an MEF equal to or greater than 2.0 and a WF equal to or less than 6.0.
  - b) **All clothes washers provided in common laundries shall have a Modified Energy Factor (MEF) equal to or greater than 2.2 and a Water Factor (WF) equal to or less than 4.5.**
  - c) **All laundry facilities located above any habitable space** shall be equipped with a properly installed washer overflow pan piped to carry the overflow into the DWV, positive outside drain or an approved floor drain.

## **Division 12: Furnishings**

- 1) **New Construction and Replacement Cabinets and Drawers:** **Base and wall cabinets shall be provided in all dwelling units.**
  - a) Cabinet fronts shall be made of solid wood (not particleboard); doors, draws and fronts shall be factory finished.
  - b) **Cabinet ends** shall be finished with appropriate veneer.
  - c) **Cabinet doors and drawers** shall incorporate milled edges for a hand hold or handles to aid in operating the door or drawer. Accessible pulls and handles are required in all accessible units.
  - d) **All cabinets** shall be labeled or documented ANSI/KCMA A161.1 Certified
    - i) **Exception:** Cabinets made in Kentucky do not require an ANSI/KCMA A161.1 label when pre-approved by KHC and constructed to the following specifications.

- (1) Cabinet fronts shall be made of solid wood (no particleboard or fiberboard); doors, draws, and fronts shall perform to ANSI/KCMA A161.1-2012 standard.
- (2) Cabinet box and shelves shall be constructed of cabinet grade plywood and braced at points where necessary to insure rigidity and proper joining of various components.
- (3) **All hardware** shall perform to ANSI/BHMA A156.9-2015 standard.
- 2) **Countertops:** Countertops shall be molded roll-backed, laminate plastic or Formica with finished ends and sealed at the cut out for sink.
  - a) **Other appropriate materials** may be used such as Corian™. Consult the KHC Department of Design and Construction Review.
- 3) **Closet Storage/Accessories:** Clothes closets shall contain a 12" deep shelf, including a coat rod. Shelves with integrated hangar hooks may also be used.
- 4) **Mailboxes:** All units shall have a USPS approved mailbox either at each individual unit or in a common area.
  - a) **Exception:** When US postal service is not available at the project.
- 5) **Bath Accessories:** Dwelling unit bathrooms shall be equipped with the following:
  - a) **Medicine cabinet** with mirror 16" wide by 20" tall (minimum)
    - i) Other combinations of mirror and storage may be acceptable by approval of KHC
  - b) Wall hung **toilet paper dispenser**
  - c) 18" (minimum) towel bar
  - d) Shower rod

## **Division 13: Special Construction**

- 1) **Storage areas:** Storage areas are required on all newly constructed units and adaptive reuse projects, unless exempted by SHIPO and excluding SROs and efficiency units.
  - a) The storage area shall be a minimum of twenty-five (25) net square feet.
  - b) Structures must satisfy applicable building code requirements.
  - c) Prefabricated plastic structures are prohibited.
  - d) Exterior storage areas shall match exterior building veneer, trim, and possess identical shingles.

- e) Storage area within the dwelling unit shall be a designated room or space and cannot encroach on clear space requirements for any equipment or appliance.
- 2) **Ramps:** All newly constructed accessible ramps shall meet the following specifications and applicable accessibility standards:
  - (1) Ramps shall be constructed a minimum of 42" wide.
  - (2) Each landing shall have 5' turning areas at the top and bottom of each ramp run.
  - (3) Ramps shall not exceed a maximum slope of 1:12 and a maximum rise of 30".
  - (4) Ramps and landings shall have a minimum load capacity of 300 lbs. concentrated load applied in a 4 square inch area and a uniform live load of 100 pounds per square foot.
- a) **Portable or temporary ramps are prohibited** and may not substitute for locations requiring a permanent ramp.
- b) **Ramp construction materials:** Ramps may be constructed of the following materials:
  - i) **Composite:** PVC or other with non-skid surface.
  - ii) **Concrete:** with non-skid surface.
  - iii) **Metal:** galvanized steel, or aluminum with non-skid surface.
  - iv) **Wood:** All exterior wood shall have a minimum preservative retention rate of 25 percent for above ground applications and a minimum preservative retention rate of 40 percent for all wood in contact with the ground. Use of CCA treated lumber is prohibited.
- 2) **Playgrounds:** Playgrounds shall meet the following current standards and be approved by KHC prior to installation.
  - a) ASTM F1487, Standard Consumer Safety Performance Specification for Playground Equipment for Public Use
  - b) ASTM F1292, Standard Specification for Impact Attenuation of Surfacing Materials Within the Use Zone of Playground Equipment
  - c) ASTM F1951, Standard Specification for Determination of Accessibility of Surface Systems Under and Around Playground Equipment
  - d) ASTM F2223, Standard Guide for ASTM Standards on Playground Surfacing
  - e) ASTM F2479, Standard Guide for Specification, Purchase, Installation and Maintenance of Poured-in-Place Playground Surfacing
  - f) ASTM F2049, Standard Guide for Fences/Barriers for Public, Commercial, and Multi-Family Residential Use Outdoor Play Areas
  - g) ASTM F2075, Standard Specification for Engineered Wood Fiber for Use as a Playground Safety Surface Under and Around Playground Equipment
  - h) DOJ 2010 ADA Standard for Accessible Design

## **Division 21: Fire Suppression**

- 1) Reserved for future use

## **Division 22: Plumbing**

- 1) **Required Fixtures:** Fixtures must be provided in all dwelling units. The following specifications shall be the minimum size and/or quality for new or replacement plumbing fixtures.
  - a) **Bath Tub and/or Shower:** Tubs shall be 30" minimum width. Showers shall be 36" x 36" minimum.
  - b) **Water Closets:** Water closets shall be maximum 1.28 GPF and made of porcelain.
  - c) **Faucets:** Polished chrome plated. Lever handle required. Faucets containing plastic material for exterior housing are prohibited.
  - d) **Lavatories:** Sinks shall be 15" minimum diameter.
  - e) **Kitchen Sink:** Except roll under sinks required in mobility impaired dwelling units, sinks shall be a minimum eight inches (8") deep, stainless steel double bowl.
- 2) **Water Supply Piping:** New construction and replacement water supply lines shall be of approved material.
  - a) Installation in exterior walls except for hose bibs is prohibited.
  - b) All new construction and replacement hot water lines shall be insulated equal to or greater than R-3.
- 3) **Overflow Protection Accessories:** New and replacement water heaters located above any habitable space shall have an overflow pan properly plumbed into DWV, positive drain outside or an approved floor drain.
- 4) **Water Heater Efficiency:**
  - i) **New construction electric water heaters** shall have a minimum Energy Factor (EF) rating of .95 or Uniform Energy Factor (UEF) rating of .92.
  - ii) **Rehabilitation replacement water heaters shall be the maximum efficiency attainable if space limitations restrict larger water heater insulation jackets.**
  - b) **Gas fired water heaters** shall an EF equal to or greater than 0.67.
  - c) **Instantaneous gas water heaters** shall have an EF equal to or greater than 0.82.

- d) **Central water heating systems** serving multiple dwelling units or common areas must be Energy star Qualified.

## **Division 23: Heating Ventilating and Air Conditioning**

- 1) **Heating Ventilating and Air Conditioning Equipment:** All units shall be heated and cooled using high-efficiency equipment.
  - a) **Heat pump systems** shall have a minimum SEER (Seasonal Energy Efficiency Rating) rating of 15 with a minimum HSPF (Heating Seasonal Performance Factor) rating of 9.
    - i) PTHP systems in individual dwellings shall have a minimum 11 EER (Energy Efficiency Ratio) rating and a minimum 3.0 COP (Coefficient of Performance) rating.
  - b) **Air conditioning only** split systems shall have a minimum SEER of 15.
  - c) **Fuel oil, gas fired furnaces and boilers** shall have an Annual Fuel Utilization Efficiency (AFUE) equal to or greater than ninety-two percent (92%).
  - d) **Electric-resistance-only** heat systems are **prohibited**.
  - e) Alternative HVAC systems may be approved by KHC.
- 2) **Duct Insulation:** All supply air, return air, and exhaust air ducts installed in unconditioned spaces outside the thermal envelope shall be sealed and insulated with a minimum R-8 insulation wrap and installed free of restrictions.
- 3) **Programmable Thermostats:** All new and replacement individual HVAC systems shall be controlled by a programmable thermostat.
- 4) **Range Hoods:** All dwelling units shall be equipped with a, minimum 150 CFM, vented or non-vented range hood, or combination range hood/microwave oven.
  - a) Use ducting sized and ducting material per manufacturer recommendation.
  - b) Exposed ducting is prohibited and where installed above cabinets, ducts shall have a finished cover.
  - c) Recirculation combination microwave hoods or range hoods shall be equipped with an activated charcoal filter.
    - i) Note: Recirculating hood ventilation rates must be made up with whole unit ventilation. See ASHRAE standards.
- 5) **Exhaust and Ceiling Paddle Fans:** All paddle and ventilation fans (except for range hoods) shall be Energy Star qualified.
  - a) The Energy Star mark must be clearly marked on the front/top of the product, clearly displayed in product literature and listed on the manufacturer's Internet site.

## **Division 26: Electrical**

- 1) **Common Area Lighting:** Luminaries shall be located at all entrances and common areas.
  - a) The electrical supply for all common areas, stairways, and walkways shall not originate from an individual unit.
- 2) **Parking Lot Lighting:** All onsite parking areas shall be lighted.
  - a) The electrical supply for all parking areas shall not originate from an individual unit.
- 3) **Dwelling Unit Lighting:** Each room, hall, stair, and walk in closet shall have a minimum of one switch-operated overhead light.
  - a) Kitchens shall include switch-operated lighting over the cooking area, sink and the general or dining area.
  - b) Bathrooms shall be equipped with switch-operated lighting over the lavatory area and the general area.
- 4) **Energy Efficient Lighting:** All interior luminaries shall be Energy Star qualified.
  - a) The Energy Star mark must be clearly marked on the front/top of the product, clearly displayed in product literature and listed on the manufacturer's Internet site.

## **Division 27: Communications**

- 1) **Telephone Access:** All dwelling units (including rehabilitation) shall be wired for telephone service.
- 2) **Cable Access:** All dwelling units (including rehabilitation) shall be wired for cable service or a local antennae system.
- 3) **Internet Connectivity:** All dwelling units (including rehabilitation) shall have the ability to connect to the internet by one or more of the following means.
  - a) **Telephone Connection:** Connectivity may be accomplished by prewired telephone jacks installed within the dwelling.

- b) **Cable Modem:** Connectivity may be accomplished by prewired cable jacks installed within the dwelling.
  - c) **Wireless Connection provided by the property:** A secured wireless router may be provided for internet connectivity by the residents of the property in lieu of wired connections.
    - i) All dwellings units shall be supplied with signal strength adequate for connection to the internet.
    - ii) Common areas accessible by the residents shall be supplied with signal strength adequate for connection to the internet.
- 4) **Help/Call for Aid:** Where installed, or included in the scope of work, Help/ Call for Aid systems shall at a minimum, alert persons outside the dwelling unit by visual and/or audible means.
- a) Audible systems shall produce sound at a level of at least 15 decibels above ambient noise levels near the dwelling unit.
    - i) The notification sound shall not be similar to a fire alarm notification.
  - b) Visual notification systems shall be visible to persons within 200 feet from the dwelling and be a flashing strobe.
  - c) An activation device shall be installed in all bedrooms, bathrooms, and living rooms of the dwelling unit.
- 5) **Units designed for the hearing and visually impaired:** All dwelling units designed for the hearing and visually impaired shall be equipped with audible and visual notification devices for the benefit of the occupant to know when someone is at the entry door, when the telephone rings, and when there is smoke or carbon monoxide detected within the dwelling or building.

## **Division 28: Electronic Safety and Security**

**This section shall apply to new construction, adaptive reuse, and rehabilitation projects.**

- 1) **Fire Detection and Alarm:** Installation of smoke alarms is required in all new construction, adaptive reuse, and rehabilitation projects.
  - a) All local ordinances shall be observed.
  - b) Written manufacturer specifications for the proper installation of individual alarms shall be observed and maintained on site throughout construction.

- i) Instructions for specific locations and other installation details shall be strictly observed.
  - ii) Individual smoke alarms shall be installed on all floors and in all bedrooms and hallways no more than eight (8) feet from any bedroom door within the dwelling unit.
- 2) **Carbon Monoxide Alarms:** UL listed carbon monoxide alarm(s) shall be installed outside each sleeping area no more than eight (8) feet from any bedroom door within the dwelling unit if the dwelling or building contains fuel burning appliances or has an attached garage.
- 3) **Audible and Visual notification alarms:** Where required, dwellings shall provide audible and visual notification of smoke and carbon monoxide detection in all rooms within the dwelling.
  - a) **Audible alarms shall** provide minimum noise pressure 15 decibels above ambient noise levels in all rooms of the dwelling including bathrooms and kitchens and where a room may be isolated by closure of a door.
  - b) **Visual alarms shall** be installed in locations where the alarm's flashing strobe may be seen from any location within the dwelling including bathrooms and kitchens and where a room may be isolated by closure of a door.

## **Division 31: Earthwork**

- 1) **Soil Testing:** All new construction that contains 12 or more units and/or building sites determined necessary by KHC's construction specialists will be required to have a geotechnical investigation performed by a design professional registered in the Commonwealth of Kentucky.
  - a) **Investigation Report:** Results of the test shall comply with the applicable building code requirements and be submitted to KHC.
    - i) At a minimum the report submitted to KHC shall contain recommendations for foundation type and design criteria, including but not limited to: bearing capacity of natural or compacted soil; provisions to mitigate the effects of expansive soils; mitigation of the effects of liquefaction, differential settlement and varying soil strength; and the effects of adjacent loads.
- 2) **Steep Slopes:** Setbacks or clearances may occur where units are placed on sites that have adjacent steep slopes of 33.3% (1 foot rise: 3 feet run) or greater.

- a) Setbacks indicated in the current Kentucky Building or Residential Code, from the top or bottom of the slope, shall be observed and included in the building's design.
  - i) Building foundations located within the required setback indicated in the building codes shall be designed by a registered design professional.

## **Division 32: Exterior Improvements**

- 1) **Landscaping:** Adequate landscaping is required on all multifamily projects.
  - a) **Installation:** Landscaping shall be installed according to the **approved** landscape plan submitted to KHC as part of final plans and specifications.
  - b) **Turf:**
    - i) **All side and rear lawn** areas shall be seeded with the seed variety, lime, and fertilizer application rate, which is appropriate to establish a good lawn cover.
    - ii) **Sod is required** in building front yards and common areas for all projects requiring establishment of new grass.
    - iii) **All slopes in excess of 33.3%** (1:3) within 10 feet of the building, driveway and/or walkway shall receive sod or other approved erosion control materials which will enhance the establishment of a permanent ground cover.
- 2) **Parking/Driveways:** All multifamily projects shall have adequate parking as determined by KHC.
  - a) All on-site parking lots and access drives are to be paved.
    - i) Asphalt shall consist of a hot mix asphaltic concrete pavement, manufactured by plants and be placed a minimum of 4" thick.
    - ii) Concrete parking lots and access drives shall be 6 inches thick.
    - iii) Pervious concrete parking surfaces shall be properly drained to prevent accumulation of water.
  - b) Unless prohibited by local code, jurisdiction, or structural constraints, all projects shall have a minimum of one parking space per unit.
    - i) Parking spaces shall have wheel stops or curbs.
      - (1) If walkways are used as wheel stops, the walkway shall be 6' wide.
- 3) **Walkways:** All dwelling units and common use facilities shall have a paved walkway from the parking area to the main entrance and connecting dwelling units to common use areas and public sidewalks.

- a) All entry walks shall be a minimum of 42 "wide.

### **Division 33: Utilities Services**

- 1) **Availability:** Required building utility services shall be available before construction begins at the building site in sufficient size to adequately provide sufficient power, flow, volume, pressure, and drainage to allow for safe, dependable service of appliances and fixtures.
  - a) **Septic or sewage treatment systems** may be constructed onsite as construction progresses and shall be capable of performing intended functions prior to occupancy.
- 2) **Electric:** Electrical service to newly constructed units shall be installed underground except in cases where deemed structurally infeasible.



**2023-2024  
MULTIFAMILY  
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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. These guidelines instruct applicants how to apply for multifamily resources available through KHC's competitive funding application, and explains processes and program criteria. Applicants may email [multifamily@kyhousing.org](mailto:multifamily@kyhousing.org) for all questions regarding the Guidelines, the QAP, application, or scoring.

### *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 all KHC-provided forms necessary to submit a complete application.**

### *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 participating 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.

### *Program Administration*

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In KHC's administration of the Housing Credit program and other state and federal funding programs, KHC must make decisions and interpretations regarding project applications. KHC is entitled to the full discretion allowed by law in making all such decisions and interpretations, and shall resolve any conflicts, inconsistencies, or ambiguities, if any, in the Multifamily Guidelines, Qualified Allocation Plan (QAP), scoring workbook, or other program documents, that arise in administering, operating, or managing the reservation and/or allocation of the Housing Credit and other KHC multifamily programs. 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 Housing Credit 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 Housing Credits and other funding sources administered by KHC throughout the required compliance period and/or other applicable periods.

As additional guidance, 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. Applicants are advised that adherence to all provisions in the Guidelines and QAP, as applicable, is a requirement to participate in KHC's multifamily programs. The Guidelines and QAP are intended to provide sufficient information to prospective applicants; however, due to the complexity of the program and the housing development process in general, not every potential circumstance can be covered. Applicants are strongly encouraged to seek input from KHC's Multifamily Programs staff regarding any situation not explicitly addressed in the Guidelines or QAP prior to submitting an application. However, while KHC staff may provide general guidance and feedback to applicants as a courtesy during the application process, this guidance should never be taken as legal advice or relied upon as 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.

To accurately underwrite a project, KHC must determine that proposed costs are reasonable based on an examination of all building construction hard costs, soft costs, and land costs identified in the underwriting model, regardless of how or by whom the costs are proposed to be paid. KHC may require additional explanation, documentation or information pertaining to any portion of the application and/or underwriting model even if the Guidelines and/or QAP do not specifically require such information, explanation, or documents. All information submitted pursuant to the QAP and Guidelines must be satisfactory to KHC. If KHC requests additional information from an applicant, such information must be promptly submitted within the appropriate timeline(s).

If appropriate for the project, KHC will redirect applicants away from the 9% LIHTC round and into the Tax-Exempt Bond financing + 4% Housing Credits route (TEB route) which may be accompanied with KHC debt financing sources. If a project is redirected to the TEB route, it will not continue through the 9% review and scoring process.

KHC's decision to allocate Housing Credit 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, in fact, 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 Housing Credit 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 Housing Credit or other KHC resources.

### *Amendments to the Guidelines or QAP*

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KHC may amend the Guidelines or QAP as needed on a case-by-case basis for the purpose of clarification, ensuring compliance with the Code or regulations, or any change necessary to affect the spirit and intent of KHC's multifamily programs as determined by KHC. Amendments may reflect changes, additions, deletions, interpretations, or other matters necessary to comply with the Code or other program regulations. Amendments are not limited to, but may perform such acts as cure ambiguities, supply information on omissions, correct inconsistencies, or facilitate the allocation of Housing Credits or other KHC resources that would not otherwise be allocated. All amendments will be effective immediately.

### *Environmental Review*

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Applicants for HOME, NHTF, and/or Risk-Sharing funds must contract with a KHC-approved person or firm to perform the required environmental review. A list of [approved environmental review preparers](#) is on KHC's website.

**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 will be required to provide to KHC and the selected environmental contractor certain documents related to the environmental review, which are outlined in [Chapter 5: Technical Submission Stage](#). The environmental contractor will use these documents to determine a project's impact on the environment. As the responsible entity, KHC is required to maintain copies of all documents relative to the completion of the environmental review; therefore, when the environmental review is complete and full environmental clearance has been achieved, the environmental contractor who performed the review must forward the entire package of all documents utilized during the review to KHC.

Questions regarding environmental reviews for KHC projects should be sent to [ERR@kyhousing.org](mailto:ERR@kyhousing.org). More information regarding environmental review requirements can be found on [HUD's website](#).

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### Eligible Project Types

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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. On a case-by-case basis, KHC may consider transitional (non-permanent) housing applications utilizing non-Housing Credit resources.

Applicants must disclose to KHC if a proposed project is part of a planned multi-phase development. At its discretion, KHC may choose to require the multi-phase development to apply for Tax-Exempt Bonds and 4% Housing Credits based upon its assessment of the size and scope of the total development.

### Funding Sources Available

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The following funding sources are available for the 2024 funding round. Refer to the QAP for Housing Credit pools and set-asides.

#### PROJECTED FUNDING AVAILABILITY

Funding Source	9 Percent Housing Credit Projects	Non-Housing Credit Projects (11 Units or Less)
HOME Investment Partnerships (HOME)	\$1,000,000	TBD
Affordable Housing Trust Fund (AHTF)	\$1,000,000	TBD
National Housing Trust Fund (NHTF)	\$1,000,000	N/A
Risk-Sharing	Amount Based on Demand	N/A
Small Multifamily Affordable Loan (SMAL)	N/A	TBD

***\*KHC reserves the right to reallocate funds between the Housing Credit and Non-Housing Credit set-asides in order to fund the maximum number of projects possible. Additional funding may be offered to Tax-Exempt Bond projects through a Notice of Funding Availability (NOFA), if funds are available.***

### Funding Request Limitations

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Projects requesting 9 percent Housing Credits are limited to a combined amount of HOME and/or AHTF in an amount 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 currently no per-project limit on NHTF funds; however, funding may be limited subject to availability. For tax-exempt bond projects, KHC reserves the right to issue bonds in any amount above the required 50 percent test as taxable bonds.

Non-Housing Credit projects are limited to a HOME funds request not to exceed the applicable HOME maximum subsidy limit for a one-bedroom unit multiplied by four. Projects may have more than four units; however, the HOME request may not exceed this calculation. 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.

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Program	Eligible Applicants & Activities	Summary of Program Requirements
<b>Housing Credit (Low-Income Housing Tax Credit)</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>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 <b>non-recourse</b>.</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>
<b>HOME Investment Partnerships (HOME) Program</b>	<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 cannot be used for refinancing.</li> <li>• HOME is a <b>recourse</b> 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>
<b>National Housing Trust Fund (NHTF)</b>	<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 a federal program and is subject to all the same federal cross-cutting regulations as the HOME program, except for Davis-Bacon wage rates; however, other federal sources, such as new project-based vouchers, may trigger Davis-Bacon.</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 <b>recourse</b> 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 <b>recourse</b> 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, for-profit entities and units of local government.</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 <b>non-recourse</b> and must be utilized with Housing Credits.</li> <li>• Eligible households must have incomes at or below 60% of the area median.</li> </ul>
<p><b>Tax-Exempt Bonds Utilizing 4% Housing Credits</b></p>	<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; however, a member of the development team must have prior experience with KHC's Tax-Exempt Bond program to apply or partner with a co-developer or consultant experienced with KHC's bond program.</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. Refer to <a href="#">Chapter 1: Project Timelines and Fees</a> for additional fee requirements.</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>

## 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 percent 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 percent of the developer fee or more) regardless of ownership interest. Thus, a 51 percent general partner will have the entire project credit amount applied toward its cap, rather than 51 percent of the credit amount. **However, Tax-Exempt Bond projects are not restricted to this cap.**

## Project Funding Stages

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All applications for resources administered by the KHC Multifamily Programs department will proceed in the stages described below. These stages, along with documentation requirements, are discussed in greater detail throughout this manual. It is important to note that each stage will not be considered complete until all required documents are uploaded into the UFA system. Incomplete stage submissions will not be accepted and the applicant may be asked to recall any stage submissions that are determined to be incomplete.

1. Initial Contact/Technical Assistance
2. Development Team Capacity Application Stage
3. Application Submission and Scoring Review Stage
4. Technical Submission Stage
5. Pre-Construction/Pre-Closing Stage
6. Closing and Construction Stage
7. Construction Completion/Placed-In-Service Stage
8. Land Use Restriction Agreement and 8609 Stage

### 1. Initial Contact/Technical Assistance (TA)

To submit an application, the applicant/developer/co-developer must have developed, completed, and operated a multifamily project of at least four rental units (for non-credit applicants) or twelve rental units (for Housing Credit applicants) within the last three years that is now in the affordability stage with KHC's compliance department. However, if the applicant/developer/co-developer does not meet this qualification, then the applicant/developer/co-developer **must** request application technical assistance (TA) **and** engage a consultant or co-developer with recent experience in KHC-assisted multifamily projects similar to the proposed project. **Applicants must have completed a technical assistance meeting before requesting access to the Universal Funding Application (UFA) system.** If more than three years has elapsed since its last KHC-funded multifamily project, the applicant/developer/co-developer is strongly encouraged to attend a TA meeting. KHC may require a TA meeting prior to application submission for any entity regardless of past experience. Developers new to KHC who are resubmitting an unsuccessful application from a previous funding round must contact KHC to determine if a TA meeting is required.

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. Because KHC's design and construction requirements will be discussed at the meeting, it is highly recommended that the architect also attends.

To schedule a TA meeting, a completed Technical Assistance Request Form must be submitted to [multifamily@kyhousing.org](mailto:multifamily@kyhousing.org). **All TA meetings must occur no less than 60 days prior to the application submission deadline.** *NOTE: Requesting or attending technical assistance training does not guarantee the project will be awarded funds.*

KHC will be unable to answer application-related questions within the seven (7) day period prior to the application submission deadline, except for technical issues related to the UFA system.

## **2. Development Team Capacity Application Stage**

KHC will conduct a review of the experience and capacity of development team members prior to making the UFA system available. The result of the [development team capacity review](#) will determine whether an organization may participate in the upcoming program year and/or if any scoring issues may be present. Parties participating in the project must resolve outstanding fees or other payments due to KHC prior to KHC issuing a capacity approval.

In making its determination of the capacity of the development team, KHC will consider all issues relevant to the development team member's ability to successfully develop or manage the project or to properly expend KHC resources. **Final capacity approval is at the sole discretion of KHC.**

KHC may solicit feedback from other states where the applicant or other members of the development team developed or managed projects, as well as confirming through the System for Award Management website at [www.sam.gov](http://www.sam.gov) that no member of the development team has been debarred or suspended from doing business with the federal government.

## **3. Application Submission and Scoring Review Stage**

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. Refer to [Chapter 3: Application Process, Review, and Requirements](#) for more information.

## **4. Technical Submission Stage**

Once an applicant receives a preliminary approval letter from KHC, the project will then enter the [technical submission stage](#) and additional evidentiary documentation must be submitted. The required documents are grouped into categories which may be uploaded independent of each other.

## **5. Pre-Construction and Pre-Closing Stage**

When the technical submission stage is complete, all documents have been reviewed and approved, and final underwriting is complete, the project is ready to proceed to the [pre-construction and pre-closing stages](#). There are two separate checklists of items that must be received and approved prior to the loan/equity closing and start of construction; the items on these two checklists may be uploaded independent of each other. A pre-construction conference will be required to discuss the inspection and draw request process. The developer should include their assigned KHC project representative or specialist when regularly-scheduled closing conference calls begin to occur between the owner, equity investor, and other partners in the project so that KHC can stay abreast of the project status as it moves toward the closing date.

## **6. Closing and Construction Stage**

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

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

Upon completion of the project's construction or rehabilitation and issuance of the certificate(s) of occupancy, the project will be in the [construction completion/placed-in-service stage](#). At that time,

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additional completion documents must be submitted to KHC and a final inspection will be conducted. Upon KHC's approval of the documents required on the construction completion/placed-in-service checklist, as well as the final inspection and resolution of any punch list items, the final 10 percent retainage of KHC funds may be requested.

#### **8. Land Use Restriction Agreement and 8609 Stage**

Once the construction of a Housing Credit project has been completed and all the Construction Completion/Placed-In-Service documentation has been received and approved, Housing Credit projects may request the Land Use Restriction Agreement (LURA) – or extended use agreement – and the IRS Form(s) 8609 for the project. The LURA and 8609 documentation must be submitted to KHC no later than 6 months from the project's completion date, as evidenced by a certificate of occupancy or an architect's certification of substantial completion.

### *Administrative Waivers*

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Applicants seeking a waiver to any KHC policy or requirement must submit a waiver request and pay a fee. 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. **The waiver fee is due at the time the waiver is requested; no waiver will be considered until the waiver fee has been received by KHC.**

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. Fees for any pre-application waiver requests must be paid when the waiver is submitted. **Any pre-application waiver submitted without payment of the fee will be rejected.**

Any waivers requested after application submission must be submitted via the UFA system.

**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 future funding rounds.**

## CHAPTER 1: Project Timeline and Fees

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All projects are held to the timeline outlined below. All times noted are Eastern time zone. If the timeline dates are not met, the applicant will incur penalties or lose the funding associated with the project.

### *Project Timeline*

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#### Development Team Capacity Application

Each member of the development team must submit a separate Development Team Capacity Application in the same calendar year as the funding application but not less than **60 days** prior to the funding application submission deadline, or 60 days prior to preapplication submission for Tax-Exempt Bond projects. Previously-approved development team members are not required to complete the Development Team Capacity Application during the applicable approval period.

#### Application Submission

The dates for the Universal Funding Application (UFA) for 9% Housing Credit applications are as follows:

- **Opens: Monday, May 15, 2023**
- **Closes: Tuesday, August 15, 2023, 12 noon, ET (submission deadline)**

#### Technical Submission

Technical submission items are due **90 days** from the date of the preliminary approval letter – the actual date will be noted in the preliminary approval letter. Firm commitments as noted in [Chapter 5: Technical Submission](#), must be submitted by the technical submission deadline given in the preliminary approval letter. No extensions will be granted for submission of firm commitments.

#### 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 have **one year** from the date of KHC's preliminary approval letter to close with their equity investor, bond purchaser, and on all KHC loans associated with the project. If the project does not close by this date, KHC's award to the project shall expire and be null and void and of no further force and effect, unless KHC approves a closing extension.

### *Project Fees*

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**All fees outlined below are non-refundable, whether in whole or in part.** All fee payments must be submitted electronically via the UFA system. For fees that represent a percentage of the Housing Credit allocation, the fee amount should be rounded to the nearest whole dollar. When paying fees online, be sure to select the correct fee type (pre-application waiver fee, application fee, market study review fee, initial inspection fee, reservation fee, etc.). **Applicants may not pre-pay fees prior to application submission. KHC reserves the right to alter its fee structure at any time, at KHC's sole discretion.**

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## Development Team Capacity Application Fee

The development team capacity application fee must be submitted for each entity on the development team for which approval is being requested (developer, co-developer, management company, consultant). Each member must complete a separate development team capacity application and pay the applicable fee as outlined below:

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

## Application Fee

- \$2,500 per pool for nonprofit applicants (Housing Credit only)
- \$3,500 per pool for all for-profit applicants (Housing Credit only)
- \$3,500 per property for Tax-Exempt Bond projects. Portfolio projects must pay an application fee for each property, plus a \$1,000 portfolio application fee for the top-tier ("parent") project.
- \$250 for non-credit project submissions from nonprofit developers
- \$500 for non-credit project submissions from for-profit developers

The application fee is charged for each project submitted. If applying for two different Housing Credit pools with the same application, two fees will be required. Application fees are non-refundable and will not be returned for any reason. Applicants also requesting consideration in the Innovation Pool are not required to pay a separate application fee for the Innovation Pool.

## Initial Inspection Fee

Projects proposing the rehabilitation of existing rental housing, whether in the New Supply or the Existing Supply pools, must pay an initial inspection fee of \$400 per property for non-credit projects, and \$1,250 per property for Housing Credit projects. KHC will conduct an initial inspection of the property to determine if the level of rehabilitation proposed is required or sufficient to keep the property viable.

## Market Analysis Review Fee

A market analysis review fee of \$1,200 must accompany each Housing Credit application. If applying in more than one pool with the same application, only one market analysis review fee is required. 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 percent 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 pay the reservation fee within this time frame will result in the Housing Credit award being recaptured. **No extensions will be granted for the reservation fee.**

## SMAL Origination Fee

All SMAL loans will be charged an origination fee of 1 percent of the mortgage amount and is due at the loan closing.

### Technical Submission Extension Fee

Projects may request a maximum of three, 30-day extensions. The first extension fee is \$1,000, the second extension fee is \$2,000, and the third extension fee is \$4,000. There is no fee for projects only receiving HOME funding (no other KHC resources). Extension fees must be paid prior to the expiration of the deadline. **All requested extensions may be considered in the Capacity/Performance Scorecard for future funding applications to KHC.**

### Closing Extension Fee

KHC may consider a request for a 30-day extension to the closing deadline, and if approved, an extension fee shall be payable to KHC on or before the expiration of the current conditional award. **All requested extensions may be considered in the Capacity/Performance Scorecard for future funding applications to KHC.**

- Housing Credit Projects (4% and 9%) and Tax-Exempt Bond Projects: The closing extension fee will be 1 percent of the current credit request. The extension fee doubles for each additional extension request (2 percent for the second request, 4 percent for the third request, etc.).
- Non-Credit Projects: The closing extension fee is \$500 per extension. Projects receiving only HOME funds (no other KHC resources), will not be charged this fee due to HOME regulations.

### 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.

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### Construction Inspection Fee

KHC will charge a one-time 1.75% construction inspection fee for all Housing Credit projects. The fee will be based on the credit allocation amount awarded to a project. This fee is due and payable before the start of any construction activities and must be incorporated into the project budget.

### 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 requested to any policy or requirement contained in the QAP or the Multifamily Guidelines. **The fee is due at the time the waiver is requested; no waiver will be considered until the waiver fee has been received by KHC.** 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. **No administrative waiver fees will be reduced or forgiven in any circumstance. Please note that all waiver requests will incur a minimum \$500 administrative fee, even if the applicant is requesting forgiveness of a specific fee (i.e., extension fees or other penalty fees).**

### Changes to Project Design Fee

Owners must notify KHC in writing in advance of making changes to the project design (e.g., site plan or location, pledged amenities, revisions to scope of work or materials, number of affordable units, substitution of one pledged amenity for another, etc.). **KHC will charge \$500 for each change request.** There will be no fee for non-Housing Credit projects; however, KHC still requires written notification of such changes.

### Credit Exchange (Swap) Fee

Owners exchanging an allocation of credit must pay a \$6,000 fee in addition to a new reservation fee as identified in the QAP for the year of the exchange.

### Carryover Extension Fee

Owners who do not submit the required carryover documentation by the deadline as outlined in the [Housing Credit Carryover](#) section must pay a one-time fee of \$1,000.

### Late Submission of 8609 Application Fee

Owners who do not submit the 8609 application and all required attachments within 6 months of project completion must pay a one-time fee of \$1,000. The completion date is evidenced by a certificate of occupancy or an architect's certificate of substantial completion (if rehabilitation).

### Reissuance of 8609 Fee

Owners must pay \$1,000 for each instance of correcting and reissuing an IRS Form 8609 (unless made necessary due to KHC error). The 8609(s) will not be reissued until the fee is paid.

### Compliance Annual Report/Monitoring Fee

KHC will charge an annual compliance monitoring fee, which must be submitted with the compliance monitoring annual report. The annual fee for projects to be examined by KHC is determined by KHC's Compliance Department and the [fee schedule](#) is on KHC's Asset Management web page. A late filing fee will be assessed as specified in the fee schedule. Compliance monitoring fees are subject to periodic adjustment and will apply to all projects participating in the Housing Credit program. KHC may implement a compliance monitoring fee on other KHC-financed projects as program regulations allow.

### 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. Owners will pay additional fees if the amount of 4% Housing Credit increases prior to issuance of Form(s) 8609. The credit allocation fee is due at closing of the partnership.
- **Issuer Fees:** Fee shall be 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. **No extensions will be granted for the issuer fees.**
- **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 provide 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; however, in the event the project fails to close, this fee will remain due.

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- Updated Resolution Fee: If a project must be reinduced or have the final board resolution extended, a fee of \$2,500 for the first updated resolution and \$5,000 for each subsequent update will be charged.
- 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. Projects that are approved for a reauthorization of bond cap must close within **30 days** of the reauthorization. In addition, the applicable closing extension fee must be paid.

### Risk-Sharing Fees

An application fee of \$3,500 for each Risk-Sharing project is due to KHC within **two weeks** from the date of the preliminary approval of funding, along with the 10% Housing Credit reservation fee. This fee is in addition to the standard application fees outlined above. At the time of loan closing, the following fees are due:

- Commitment fee of 3 percent of the loan amount.
- Upfront mortgage insurance premium (MIP) equal to 0.5 percent of the loan amount will be due at the closing of the permanent mortgage. There is also a monthly MIP of 0.5 percent.
- Closing fee of \$5,000. The title policy cost is not included in the closing fee.
- 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 fee
- Second modification occurrence: \$2,000 fee
- All subsequent modifications: \$4,000 fee each occurrence

For projects only receiving HOME funding (no other KHC resources), no modification fees will be charged due to HOME regulations; however, modifications to KHC legal documents may be considered in future capacity scoring on all projects.

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## CHAPTER 2: Development Team Capacity Application

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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; it cannot be submitted by another entity on behalf of the applicant. Approved development team members will receive an approval certification which will be valid for one to four years, at KHC's discretion. Any staffing changes to approved development team members, including officers, management, or key staff members with whom KHC has direct contact, must be disclosed in writing to KHC at the time the change occurs. At KHC's discretion, the capacity approval may be modified or rescinded based upon its assessment of the significance of the change(s). If at any time a development team member changes, KHC must be notified in advance and a copy of the new entity's capacity approval letter provided. If the entity does not have a capacity approval letter, they must submit a capacity application and obtain approval prior to assuming a role in the KHC-funded project.

### Development Team Capacity Application Timeframe

The capacity application is not tied to a specific funding application; however, the capacity application must be completed in the same calendar year as the funding application. Development team members with a previously-approved capacity certification are not required to complete the capacity application; however, a copy of the approval certification for each member must be uploaded with the UFA. Any development team member who has not received a capacity approval letter must complete the capacity application and submit it to KHC no later than **60 days** prior to the funding application submission due date. **KHC may require a capacity review of any development team member at any time.**

### Eligible Applicants

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

- Developed, completed, and operated a multifamily project of at least four rental units (for non-credit applicants) or twelve rental units (for Housing Credit applicants) within the last three years that is now in the affordability stage with KHC's Compliance Department; or
- Attended a KHC technical assistance meeting **and** engaged a consultant or co-developer with recent experience in KHC-assisted multifamily projects similar to the proposed project.

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 percent 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

**Any parties suspended or debarred pursuant to KHC's suspension and debarment policy shall be ineligible to participate in any project that receives KHC resources.** If an entity is determined to be ineligible to participate in a KHC-assisted project, any related-party entity will also be ineligible.

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## Organizational and Credit Review Documents

All development team members must submit the following documentation based on its organizational structure. Credit review documents are not required for members acting solely in the role of consultant. For newly-formed entities, documentation for the principals of that entity must be submitted.

### 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 & 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 provide 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. Following are the required disclosures:

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. KHC may perform a full criminal, employment, and credit investigation of all development team participants to verify credit and criminal history.
2. Any relationship between individuals or entities of the development team that could constitute a conflict of interest or identity of interest between the parties.
3. Complete organizational charts must be submitted for the owner and developer entity that clearly show all principals down to individuals involved in the ownership and development of the project. No change to the project owner/developer structure can be made without the express consent of KHC.
4. **All** development fee sharing arrangements. KHC considers all individuals or entities that receive a portion of the development fee to be part of the development structure.
5. **All** guarantor agreements. KHC may determine that a guarantor is actually a real party in interest to either the General Partner and/or Developer entities.
6. **All** consulting agreements, whether direct or indirect, paid or unpaid. KHC will determine if a consultant is a real party in interest to either the general partner and/or developer entities.

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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

**All required KHC-provided forms are located on KHC's website, [www.kyhousing.org](http://www.kyhousing.org). It is the applicant's responsibility to identify and utilize all KHC-provided forms, which are marked with an asterisk\*.** The following items must be uploaded with the online application for KHC to complete the capacity and credit review. If the development team member is a newly-formed entity, documentation for the principals of the entity must be submitted. **Note:** all financial documents should be uploaded to the Document Repository within the UFA and marked as "private" prior to being uploaded into the application (refer to the FAQ in the UFA for detailed instructions). Only members of KHC's leadership team have access to any documents marked as "private" in the application – KHC staff does not have access.

### **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 (developer, co-developer, management company, consultant) must be submitted. Each member must complete a separate capacity application and pay the applicable fee as outlined in [Chapter 1: Project Timeline and Fees](#).

### **2. Technical Assistance Certification Form**

Required for any applicant who has not previously used KHC resources to construct or rehabilitate a rental project within the last 3 years or for applicants as determined by KHC. Refer to the [Introduction and General Information](#) section for technical assistance requirements.

### **3. Organizational Documents**

All members of the development team must submit the organizational documents outlined above based on their respective organizational structure. Newly-formed general partner entities and guarantors are required to provide this information at the preclosing stage. Nonprofit organizations participating in the development, ownership or management of the project must also provide 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 based on their respective organizational structure. Newly-formed general partner entities and guarantors must provide this information at the preclosing stage.

KHC will order a business credit report on development team members as applicable. The credit documentation is reviewed to demonstrate creditworthiness. Other than for cash pledged or guarantees provided, the review is to find a track record that the proposed development team member has a history of managing finances in an efficient manner and is an acceptable risk to KHC to develop and manage a project. KHC may request additional financial information as needed. KHC may perform a subsequent credit review of the developer and/or the principals of any newly-formed general partner entities when a funding application requesting a KHC loan is

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submitted. In that case, the credit review(s) must be completed prior to closing on any KHC loan.

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 member of the development team must submit a full organizational chart, staff roster, and resumés of principal officers/members within the organization, focusing on their affordable housing development experience.

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

All applicants/developers and management companies who have not done business with KHC in the last three (3) 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. KHC may contact a state HFA directly to obtain additional information, as well as request additional information from a developer or management company regarding their activities in another state.

**8. Full Disclosure Documentation\***

KHC's Full Disclosure Form, as described in this chapter, must be completed and signed by each member of the development team, accompanied by any supporting documentation.

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

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KHC offers a competitive application for Housing Credit, AHTF, HOME, NHTF, Risk-Sharing, and SMAL funds. **KHC will fully review and score only those applications for which the self-scores and any applicable tie-breaker criteria indicate the projects are likely to be awarded.** Applications will be reviewed in accordance with required thresholds, capacity of the development team, project design, and financial feasibility, as well as adherence to the Multifamily Guidelines. Any issues that could delay the project must be resolved before submitting an application.

For Tax-Exempt bond projects, KHC will open the Universal Funding Application periodically as bond cap is available. From time to time, KHC may issue a Notice of Funding Availability (NOFA) when KHC gap funds are available to allocate in conjunction with tax-exempt bonds.

It is the applicant's responsibility to submit all required documentation to adequately support its application. Any material deficiency in the application or omission from the mandatory submissions, not cured pursuant hereto, will result in an immediate rejection of the application. In addition, the application must meet all eligibility requirements set forth in the Code. KHC may reject or return any application at any time during the allocation process. Applicant's failure to: i) provide complete and/or accurate information during the application process; ii) pay compliance fees; iii) adhere to project attributes pledged on the original application; or, iv) resolve any outstanding issues with any other KHC programs may impact scoring or result in the rejection of the application and being barred from further participation in KHC programs. Failure to follow all required procedures throughout the allocation process could jeopardize the final allocation or result in Housing Credit or other KHC resources being recaptured.

**Throughout the period beginning with the date of application submission and the date upon which KHC publicly announces the awarded projects, 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 such project. Failure to notify KHC in a timely manner of any such changes and/or issues, may result in the denial of the application, a three-year reduction in capacity scoring of all parties involved, and/or any other penalties KHC deems appropriate.**

### Guarantors

KHC may require a guarantor for projects allocated KHC resources (excluding Housing Credit only projects). The guarantor may be any entity or individual, other than the borrower (if the borrower is a single asset entity) and general partner(s)/managing member of the ownership entity, which has adequate financial resources and capacity to accept liability for completion of the project or repayment of all KHC resources in the event of default or termination of the project. Guarantees to KHC must be effective for the life of the loan. Guarantors must submit the documentation identified in the capacity and credit review attachment checklist in Chapter 2 at full application submission.

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 provided 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 \(UFA\)](#) system. Step-by-step instructions for completing the application can be found in the Frequently Asked Questions (FAQ) tab in the UFA. A complete application must be transmitted to KHC. KHC will send an email notification to the applicant once the application has been transmitted successfully.

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Applicants must adhere to the following:

- All questions within the UFA that are applicable to the project type and resources requested must be **fully answered**. It is not acceptable to simply reference another document or another section of the application to obtain the answer.
- Applicants must list within their application the project amenities that will be included in the project. All amenities provided must be appropriate for the tenant population served.
- Applications must be submitted in the current version for the type of KHC resources requested.
- Each application must be for an eligible project type and propose an eligible activity.
- Current versions of all application attachments must be uploaded to KHC's online system as part of the application submittal. To ensure that the most current versions of KHC-provided forms are used, applicants should always download them from KHC's website. **The image quality of the uploaded documents must be clearly legible.**
- All application attachments may not be dated more than six (6) 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; handwritten notes or other alterations by the applicant are not acceptable. Applicants may include a supplemental memo if additional explanation is required.
- All applicants must request all KHC funds required for the project in one application. Previously-funded projects cannot access additional funds, including Housing Credits, through the competitive application process.
- Only one application and one underwriting model will be accepted per project. Applicants cannot present different scenarios of a project's development budget in the same application submission. However, Housing Credit applicants may apply in up to two (2) pools within the same application. An application fee is required for each pool if applying in more than one pool.
- 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 at [https://kydlgweb.ky.gov/eClearinghouse/16\\_echHome.cfm](https://kydlgweb.ky.gov/eClearinghouse/16_echHome.cfm). Successful submission to the Clearinghouse system will generate a confirmation that includes the State Application Identification (SAI) number. A copy of this confirmation is a required UFA checklist attachment.
- New construction and rehabilitation projects must meet the requirements of the latest edition of the Kentucky Building and/or Residential Code. The developer and/or builder must comply with local zoning, rules, regulations, ordinances, Universal Design and Minimum Design Standards as adopted by KHC, Housing Quality Standards (HQS) and all applicable federal rules and regulations, including the Fair Housing Act.

#### **Uploading Documents:**

Applicants must upload all required application documentation through the UFA system by **12 noon ET on Tuesday, August 15, 2023**. 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 Wednesday, August 16, 2023** at:

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

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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.

- Naming the document files:
  - Name the file exactly as it appears on the attachment list in the UFA; e.g., "Application Fee.pdf". If you wish to add the project name, you may add it at the end of the file name.
- Uploading document files:
  - Each required checklist item must have a document uploaded, except for those documents that are not applicable to the project, which you may mark as "N/A."
  - All documents must be clearly and easily legible.
  - If you upload multiple versions of the same checklist item, be sure to delete all of them except for the most current version. Otherwise, multiple copies will upload and KHC will be unable to determine the most current version.
  - Developers submitting multiple applications are only required to submit one copy of their financial information; however, the developer must clearly identify within each application that the financials have been submitted.
  - The maximum file size for attachments is 150 megabytes. If an attachment exceeds 150 megabytes, it may be provided solely on the flash drive; however, a statement must be uploaded to the UFA system indicating the attachment is located on the flash drive.
    - Examples of attachments that may exceed the file size limit are building plans, specifications, PCNA, appraisals, market studies, and environmental reviews.
    - **Each document, including building plans, must have all pages contained in a single file per document type and should not be broken into smaller files for the purpose of uploading to the UFA.** For example, all pages of the plans must be in one document, all pages of the PCNA must be in one document, etc.
- Cover sheets are not necessary; do not upload cover sheets with your documents.
- Underwriting Model (UM) – be sure that you complete and upload the most current UM version from KHC's website and submit in Excel format. Do not add any formulas to the UM!
- After all checklist items have been uploaded and the application has been submitted, the user will receive an email that the items have been successfully transmitted.
- To mitigate any potential problems with uploading documents due to system overload or other technical issues, it is recommended that you do not wait until the last day to upload the application attachments.
- For additional assistance with the online application, contact KHC's Terry Helton at [thelton@kyhousing.org](mailto:thelton@kyhousing.org) or Diane Beidleman at [dbeidleman@kyhousing.org](mailto:dbeidleman@kyhousing.org).

**The online application will close at 12 noon, ET, on Tuesday, August 15, 2023.** Time is of the essence for application submission, and 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.

**For the application to be complete, all required documentation must be provided; otherwise, the application will fail threshold requirements.**

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## *Application Thresholds*

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KHC has established the following project requirements that must be met as a threshold to submit an application for funding. If any of the threshold requirements are not met, the application will not be reviewed or scored and will not be eligible for funding. KHC will notify the applicant if one or more of the thresholds are not met and the applicant will have three (3) days to appeal; however, no changes or additions to the original submission can be made to cure threshold deficiencies.

### **THRESHOLDS FOR ALL PROJECTS (Including Tax-Exempt Bonds)**

#### **Capacity/Performance Scorecard and Capacity & Credit Review**

Applicant and development team must pass KHC's Capacity/Performance Scorecard Review and Capacity & Credit Review processes. Development team members with capacity deductions will be ineligible to participate in any non-scored application until the expiration of the deduction(s).

#### **Complete Application**

The project must meet all application and checklist attachment requirements in accordance with the QAP and Multifamily Guidelines. The application must be fully completed with thorough responses to all questions that are applicable to the project type and KHC resources requested. Current versions of all required attachments must be uploaded to KHC's Universal Funding Application and all attachments must be clearly legible. All application attachments may not be dated more than six (6) months prior to the application submission deadline, unless otherwise specified in these Guidelines.

#### **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. If a waiver to any QAP or Guidelines provision has been secured in advance, the approved waiver must also be uploaded with the application.

#### **Notification of Public Officials**

All applicants must send, by certified mail or equivalent, with signed return receipt requested, the Notification of Application for Funding form to the local mayor (if project is located within city limits) or county judge executive (if project is located in an unincorporated area of the county), Kentucky state representative, and Kentucky state senator of the community where the project will be located. A searchable database of Kentucky state legislators is available on the [Kentucky Legislative Research Commission's website](#). **The signed proof of receipt must be dated no later than one month prior to the application submission date, irrespective of the number of days in the month.** For example, if the application due date is August 19, the signed proof of receipt must be dated no later than July 19.

#### ***Required Documents:***

A copy of the completed Notification of Application for Funding form sent via an acceptable delivery method, as described above, to the mayor/county judge executive/other applicable chief executive officer, state representative, and state senator (or their designees) must be uploaded with the application documents. In addition, **signed proof of receipt dated no later than one month prior to application submission must be uploaded with the application documents. Methods of delivery other than those requiring a signed receipt will not be accepted.**

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### **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**

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. Applications for new supply tax-exempt bond projects located within 0.5 mile of an urban-designated KHC tax credit project and 3 miles of a rural-designated KHC tax credit project that 1) has been previously approved and is not yet placed in service (8609 has not been issued) **and** 2) targets the same tenant populations as the applicant's project **will not be permitted**.

Applicants must provide a copy of a Google Maps printout documenting the proposed project's distance from the project(s) not yet placed in service. Distance is measured in radius and must be recognized in the market study. 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 submitting an application for 9 percent and/or 4 percent Low-Income Housing Tax Credits, applicants agree to waive the option of requesting to utilize the qualified contract process in perpetuity.

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

The UM, as submitted with the application, must comply with the QAP provisions (if requesting Housing Credits) and Multifamily Guidelines. The UM must meet KHC's cash flow and debt service ratio requirements, the Sources and Uses must balance with no funding gaps, and all applicable hard and soft costs must be itemized regardless of how the cost is paid. The amounts budgeted for developer fee, general requirements, profit, and overhead must not exceed KHC's maximum limits. After its analysis, KHC must approve the UM and all associated attachments for the project to be scored.

### **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**, 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; and
- Be dated within the **3 months** preceding the KHC application submission date.

Other non-KHC funds may include, but are not limited to, private bank loans, developer or GP contributions, reserve transfers, assumed debt (such as HUD or RD), Federal Home Loan Bank (FHLB), HUD Choice Neighborhoods, HOME or CDBG funds from a local government, donations of land, cash, materials, goods or services, waived fees/taxes, etc.

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

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funds are not awarded, the applicant will contribute the amount of funds for which it applied and evidence its financial ability to do so.

For secured debt that is to be **assumed** by the applicant, a firm commitment letter from the lender, indicating that the lender consents to the assumption of the secured debt, shall be required. If the secured debt to be assumed is governmentally-insured, e.g. HUD, RD, etc. and will be assumed pursuant to a refinancing program offered by the insuring agency, documentation from the applicable agency that the applicant has begun the assumption approval process may be substituted for a firm commitment letter.

#### **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;
  - Equity investor's required amounts for replacement reserve, operating deficit reserve, and any other reserve accounts required by the investor; and,
  - Amounts of required fees and whether they are guaranteed or subject to cash flow, etc.
- 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 provide a letter of intent from an investor to purchase the credits. If the letter is for both Federal and State Historic Credits and/or Housing Credits, **the letter must identify each credit separately, along with the applicable pricing and equity investment for each.** For State Historic Tax Credits, if the owner plans to retain the State Historic Credit themselves, a statement must be provided to this effect.

#### **Flood Issues**

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 any portion of the project site is located in a floodplain, flood insurance (as described below) will be required on the property. 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.

For rehabilitation of currently occupied rental housing where any portion of the property is located in a floodplain, the property must have federal flood insurance. If a portion of the project that is not essential to the tenants is located 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 a completed copy of KHC's Capital Reserve Replacement Schedule (CRRS) from a qualified preparer, and must also submit 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 that would meet KHC's qualification requirements for a PCNA

### **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 (as defined by RD) scattered sites may not be intermingled in one project. Due to Rural Development (RD) requirements to maintain separate property identities, multiple RD properties may not be combined into one 9 percent tax credit transaction. Sites located in multiple counties are not permitted except for Tax-Exempt Bond projects.

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

Projects proposing lease-purchase must be 100 percent 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.

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

*(For all projects serving special needs populations, including projects in the Nonprofit PSH Pool)*

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

Applicants proposing permanent supportive housing to serve special needs populations must provide 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 Pool**

*(9% LIHTC Projects Only)*

#### **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 shall not have placed in service or undergone substantial rehabilitation in the last 20 years.

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

*(9% LIHTC Projects Only)*

### **New Supply**

Projects in this pool 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 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 in the New Supply Pool must provide the lesser of 4 units or 10 percent 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 Review Components**

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

**Scoring Criteria** – Applications will be scored as submitted, based on the criteria noted in the current scoring workbook. KHC will review and score each application based on the information presented and may contact applicants only to clarify information submitted with the application. Except as provided in the [Cure of Application Errors](#) provision of this section, KHC will not accept additional documentation or revisions to the application or underwriting model after application submission. Applications will be ranked according to their assigned score and those with the greater number of points receive priority in the award process. Although funds will be awarded to the highest scoring projects, KHC will make every effort to ensure funds are distributed geographically across the state. KHC may award funding to a lower-scoring project located in a congressional district where no other funds have been allocated.

**Financial Feasibility** – A project is financially feasible if viable under **all** (including federal, state, local, and/or KHC) program guidelines. **The application, underwriting model (UM), and supporting documentation must all agree.** If a contradiction exists between the UM and the application, the information in the UM will be used to determine the financial feasibility. However, any discrepancies between the application, UM, and supporting documentation may constitute an error in scoring.

**Market Need** – A market study must be submitted with the application and will be reviewed in accordance with KHC's [market study requirements](#). If the market study demonstrates an acceptable market, then the project will continue to move forward. However, if the study is not acceptable, funds will not be allocated and the application will be denied. Market studies will only be accepted by firms that are on KHC's approved list and are only valid **six months** from the date of the study.

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## Application Scoring and Review Process

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Incomplete applications will not be reviewed or scored, unless cured, following KHC policies. In addition, applications wherein the applicant's self-score and/or tiebreakers would not qualify the application for funding will not be reviewed or scored. 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. Applicants seeking to obtain their KHC asset management score should do so no sooner than **60 days** prior to application submission to ensure the score is current.

### Cure of Application Errors and Omissions

Applicants will be allowed to remedy no more than two (2) errors contained in any application attachment (excluding the KHC underwriting model) including up to one (1) omission of any document (excluding the KHC underwriting model). If more than two errors – including up to one omission – 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 of two allowable errors.

The correction of any omission must be made within **24 hours** of the time that KHC transmits the notification of such omission. The correction of any error, not an omission, must be made within **48 hours** of the time that KHC transmits the notification of such omission. For example, if KHC sends an email at 10 a.m. on Tuesday notifying the applicant of an omitted document and the document is not uploaded into the UFA or received by KHC by 10 a.m. on Wednesday, the application will be rejected for not meeting threshold. This cure period is not intended to be an extension of time for the applicant to procure a required document. If the document submitted to cure the omission is dated after the date of the application or KHC determines that the document was not in the applicant's possession at the time the application was submitted, the cure will be deemed ineffective and the application rejected for not meeting threshold.

Any comments or revisions resulting from the review of the underwriting model will not be considered errors; however, 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 be considered to be an incomplete application and will not meet threshold.

**Note:** *In determining whether to award resources and how to score applications, 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.*

### 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.

### I. Overview of Capacity/Performance Scorecard

The scorecard is used to determine the overall capacity of the Entity or Development Team member(s). The scorecard is divided in to three (3) sections:

1. Capacity/Performance Scorecard Threshold Requirements
2. Capacity/Performance Scorecard Self-Certifications
3. Capacity/Performance Scorecard Overall Performance

The first section of the scorecard consists of Capacity/Performance Scorecard thresholds that must be achieved. All "yes" answers require an explanation regarding the circumstances of the infraction.

Capacity/Performance Scorecard Threshold Requirements will be verified at both the submission of the application and reviewed again prior to announcement of any funding award. If the status of a Capacity/Performance Scorecard Threshold Requirement changes prior to announcement of funding, an Entity may be asked to correct the outstanding issue prior to a funding award.

### II. Capacity/Performance Scorecard Self-Certification

The Capacity/Performance Scorecard Self-Certification section is a series of statements to which the applicant preparer must certify. There is a response section in the self-certification section that can be used to provide additional information to any of the self-certification questions.

The Entity will need to complete the certification acknowledgement that states the responses to the self-certification statements are true and accurate, to the best of their knowledge. Falsification of these statements could result in a recapture of funds or suspension/debarment from KHC.

### III. Capacity/Performance Scorecard Overall Performance

The Capacity/Performance Scorecard Overall Performance section is where KHC staff will indicate if a capacity deduction will be applied. Guidance on the type of infractions that KHC will consider for possible capacity deductions is listed on KHC's website at [www.kyhousing.org](http://www.kyhousing.org), under Asset Mgmt, Capacity/Performance Scorecard Overall Performance Questions. A capacity deduction can be determined at any time throughout the administration of a project, including the affordability/compliance period. The capacity deduction can apply to the Entity or any member of the Development Team.

When a capacity deduction is issued, the agency or organization will receive a written notice from KHC explaining the reason for the capacity deduction and the amount of time the deduction will be applicable. Capacity deductions will be applied to the overall score for the Capacity Section of the full application.

## Organizational and Credit Review Documents

Any previously-approved development team member who has had changes in their organizational structure, and any newly-formed ownership entity, must submit their organizational documents via the

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UFA at the preclosing stage. Any development team member with new principal officers/members must also provide resumes for those individuals.

For projects requesting KHC funds, credit review documents must be submitted for the developer, general partner, and guarantor (if applicable) at the application stage. Guarantors must also provide their organizational documents. KHC may request additional documentation on any project entity.

Refer to [Chapter 2: Development Team Capacity Application](#), for a complete list of required documents.

### Scoring Response Period

KHC will notify applicants whose projects do not receive a full review and scoring based upon their self-score and/or tiebreakers. For projects that receive a full review and score, KHC will make the preliminary project score sheet available to the appropriate contact. Applicants will not be made aware of how other applications have scored. KHC will establish a timeframe during which applicants may review their preliminary scores and offer written feedback if any applicant disagrees with the preliminary score.

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 via electronic mail, hand delivery or overnight mail to the Managing Director of Multifamily Programs.

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

### Final Scoring Determination

After applicants have had the opportunity to review and appeal the preliminary score during the scoring response period, 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.** Please note that projects which requested consideration in the Innovation Pool must maintain the proposed innovative components, even if the project was not funded from the Innovation Pool.

## CHAPTER 4: Application Attachment Requirements

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Based on the KHC funding source(s) requested, related documentation is required at application submission as indicated on the application checklist. Not all attachments are applicable to all application types; refer to the document list below for the specific attachment requirements for your application type.

Applicants must upload all attachments and each document must be identified separately with the item name as it appears below. The 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 all KHC-provided forms, which are marked with an asterisk**. For your reference, the UFA identifies documents that are KHC-provided forms. If a document does not apply, mark the "N/A" button in the UFA. **All application documents must be current and may not be dated more than six (6) months from the application submission deadline date, unless otherwise specified.**

### *Tax-Exempt Bond Documents*

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*(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 provided.

**2. Engagement Letters**

Provide engagement letter(s) with the applicable underwriter, placement agent, or bond purchaser. The letter(s) should state 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.

**3. Engagement Letter with Bond Counsel**

Provide an engagement letter with each attorney involved in the project, including the attorney's bond transaction history, their resume, or qualifications. Applicants must engage an attorney or attorneys to serve as bond counsel who has a comprehensive understanding of multifamily tax-exempt bond transactions.

**4. Supporting Documentation for Selection Criteria (NOFA submissions only)**

If responding to a Notice of Funding Availability (NOFA) with selection criteria (thresholds, preferences), upload all supporting documentation required per the NOFA.

### *Application Attachments*

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#### Capacity Documents

**1. Capacity Approval Letter(s)\***

A copy of the capacity approval for the applicable development team member(s) must be provided. Any member not previously approved must complete the [Development Team Capacity Application](#) process before submitting an application for funding.

## **2. Technical Assistance Certification Form\***

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. Refer to the [Introduction and General Information](#) section for technical assistance requirements.

## **3. Credit Review Documents**

Credit review documents are only required at 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. Dependent on the organizational structure, credit review documents must be provided for all developers, general partners, and guarantors (other than individual guarantors). Guarantors are also required to submit their organizational documents. Developers submitting multiple applications requesting KHC funds are only required to provide credit review documents with one of the funding applications; however, each application must clearly identify where the documents can be located if submitted with a different application. All credit review documents should be marked as "private" when uploaded to the UFA system.

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

A full organizational chart must be provided 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 responsibilities of each party;
- c. The percentage of developer fee each party will earn; and
- d. A detailed description of how the co-developer will meet the material participation test (as defined in IRC 469(h)) for the 15-year compliance period.

Project seeking points for having a disadvantaged developer or co-developer must also submit a current copy of the applicable MBE/WBE/DBE/VOSB/SDVOSB certification from the appropriate certifying agency.

### **General Documents**

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

Evidence of electronic payment of the applicable application fee must accompany each project submitted. Refer to [Chapter 1: Project Timeline and Fees](#) for more information.

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

A market analysis review fee must accompany each Housing Credit project submitted. Refer to [Chapter 1: Project Timeline and Fees](#) for additional information.

**3. Initial Inspection Fee**

*(Projects involving rehabilitation of an existing structure, both Existing Supply and New Supply)*

An initial inspection fee for each project site (property) must accompany each application submitted which involves the rehabilitation or reuse of an existing structure. Refer to [Chapter 1: Project Timeline and Fees](#) for additional information.

**4. Scoring Workbook\***

*(Projects seeking competitive 9% LIHTCs only)*

Submit an Excel version (not PDF) of the scoring workbook applicable to the current funding round completed with the developer's self-scores. **All applicable sections must be completed.**

**5. Notification of Application for Funding\***

*(Required for projects of 12 or more units)*

A copy of the Notification of Application for Funding form sent to the appropriate local and state officials must be provided **along with a copy of the signed returned receipt** from the certified mail or other signed acknowledgement of receipt by the mayor (if project is located within city limits) or county judge executive (if project is located in an unincorporated area of the county), state representative, and state senator (or their designees), **dated no later than one month prior to the application submission date, irrespective of the number of days in the month.** For example, if the application due date is August 15, the signed delivery receipt must be dated by July 15. The appropriate state officials for the project location may be found on the Kentucky Legislative Research Commission [website](#).

**6. Nonprofit Questionnaire\***

This form 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**

Nonprofit organizations that have any ownership interest in the development must provide a resolution from the nonprofit's 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 percentage of the developer fee the nonprofit will receive and the percentage that will be shared with another entity.

**8. CHDO Documentation**

Nonprofits applying for HOME funds from the Community Housing Development Organization (CHDO) set-aside must provide verification of the current CHDO designation or recertification.

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

If a consultant or administrator is part of the development team, an executed copy of the contract is required and must detail the services provided, the consultant's role in the project, and how they will be compensated.

**10. Proof the Compliance Period Ended**

*(Required for rehabilitation projects previously awarded Housing Credits)*

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

**11. Rural Development (RD) Property Eligibility Determination**

A copy of the project location's determination as being either urban or rural from the [RD Property Eligibility website](#) must be provided. Click "Multi Family Housing" and enter the property address.

**12. Kentucky Intergovernmental Review Process**

*(Required if requesting HOME, NHTF, Risk-Sharing, or new KHC project-based vouchers)*

Applicants requesting HOME, NHTF, and/or Risk-Sharing funds, or new KHC project-based vouchers, must submit to the State Clearinghouse through the [Department for Local Government's online system](#). Successful submission to the Clearinghouse will generate a confirmation that includes the SAI number, which is a required checklist attachment.

**13. Guideform Notice Disclosure to Seller\***

*(Required 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 disclosing that the purchase offer is voluntary and an arm's length transaction, in addition to disclosing the estimated fair market value of the property and that the purchaser does not have the power of eminent domain.

**14. Guideform General Information Notice (GIN)**

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

The Guideform General Information Notice (GIN) is required to be given to all current occupants advising them of the impending federally-assisted acquisition or rehabilitation of their unit and of their rights under the Uniform Relocation Act. Tenants who move in to the property after submission of the application must be provided with the **Move-In Notice**. Refer to [HUD Handbook 1378](#) for more information and sample notices. All relocation notices must have documentation of proof of receipt by the tenants and be maintained in the tenant file.

**15. Community Revitalization Plan**

*(Required 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. 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.

#### **16. Community Revitalization Plan Certification\***

*(Required 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.

#### **17. Tenant Selection Plan Preferences**

Applicants seeking scoring points for providing a preference for individuals on the local public housing agency (PHA) waiting list must provide a signed statement that it has committed to the preference and agrees to notify the PHA of property vacancies. All preferences must be reflected in the Tenant Selection Plan, which is required at the Technical Submission Stage.

#### **18. Certification of Disadvantaged Business Entities**

Certification is required for development team members or companies pledged in the application that are participating in the project and are qualified as a minority- or women-owned business enterprise (MBE/WBE), disadvantaged business enterprise (DBE), veteran-owned small business (VOSB), or service-disabled veteran-owned small business (SDVOSB). The certification must be current through the date of technical submission.

#### **19. Letter of Service Commitment**

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

Each agency providing services for special needs housing, permanent supportive housing, and transitional housing must provide 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 (below).**

#### **20. Letter of Referral Commitment**

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

Each agency providing tenant referrals for special needs housing, permanent supportive housing, and transitional housing must provide a letter on agency letterhead and signed by the executive director or their designee stating that 1) eligible individuals in the special needs population targeted by the proposed project will be referred to the project, and 2) provide an estimate of the number of referrals on an annual basis.

**21. 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.

**22. Evidence of No Substantial Rehabilitation**

Projects seeking points for rent-restricted units most in need of rehabilitation must provide documentation that the proposed project has not received substantial rehabilitation within the past 20 years. For all projects, a minimum of 20 years must have passed since the last substantial rehabilitation to qualify for points. For scoring purposes, substantial rehabilitation is defined in IRC Section 42 as \$7,400 per unit or 20% of adjusted basis. This proof may be evidenced by 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 provided.

-- OR --

- 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 20 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.

**23. Evidence of Risk of Loss Due to Ownership Capacity**  
**(Existing Supply/Preservation projects only)**

Projects seeking points for acquisition of a troubled asset by an applicant with no identity of interest that is at risk of loss due to ownership capacity must submit a narrative describing the troubled asset and evidence of the existing conditions created by the current owner that put the asset at risk. Existing conditions may include bankruptcy, insolvency, default, foreclosure action, unpaid taxes and assessments, ongoing lack of compliance with lenders or housing program administrators, or a capacity score reduction by KHC. **Properties recently acquired by the applicant (not more than one year prior to the application submission date) must provide documentation to evidence the acquisition date.** Exceptions will be made for properties that were acquired more than one year prior to the application submission date for which the applicant is reapplying for LIHTC after an unsuccessful application in the prior year.

**24. Narrative for Financially Troubled Assets**

*(Existing Supply/Preservation projects only)*

Projects seeking points for acquisition of a financially troubled asset must provide a detailed narrative describing the troubled asset and the steps that will be taken to put it back into productive use.

**25. Evidence of History of Good Ownership and/or Management**

*(Existing Supply/Preservation projects only)*

Projects seeking points for acquisition of a financially troubled asset must provide a list of the name and address of all tax credit properties owned and/or managed within the past five years in Kentucky. **Properties recently acquired by the applicant (not more than one year prior to the application submission date) must provide documentation to evidence the acquisition date.** Exceptions will be made for properties that were acquired more than one year prior to the application submission date for which the applicant is reapplying for LIHTC after an unsuccessful application in the prior year.

**26. Financial Statements**

*(Existing Supply/Preservation projects only)*

Projects seeking points for acquisition of a financially troubled asset must provide financial statements for the past three years. **Projects subject to the Single Audit Act must provide audited financials.** If the project is out of its LIHTC or RD compliance period, then CPA performed reviews may be substituted for years without full audits.

**27. Rent Roll**

*(Existing Supply/Preservation projects only)*

Projects seeking points for average physical occupancy rate must provide a copy of the rent roll for the 12-month calendar year prior to application submission.

**28. Census Tract Report**

*(New Supply projects only)*

Projects seeking points in the Opportunity 360 Housing Stability, Education, and Economic Security scoring category must provide a copy of the census tract report obtained from the United States Census Bureau [website](#). Applicants should first select the "Find Geographies" tab. Then enter the property address, and under the "Benchmark" dropdown, select "Public\_AR\_Census 2020" and under the "Vintage" dropdown, select "Census2020\_Census2020" and then "Get Results" to obtain the prior census tract number for the property address. The property's census tract number will be shown under the "Census Tract" heading. Applicants must print this report to document the 2020 census tract number for the property. **Please note, the 2020 census tract number should only be used for the purposes of this one scoring criteria; in all other instances, the current census tract number must be used.**

**29. Distance From Projects Not Yet Placed In Service**

*(New Supply projects only)*

Applicants whose proposed project is located within 0.5 mile of an urban-designated KHC tax credit project and 3 miles of a rural-designated KHC tax credit project that 1) has been previously approved and is not yet placed in service (8609 has not been issued) as of the date shown on Tab 9 of the scoring workbook **and** 2) targets the same tenant populations as the applicant's project must provide a copy of the Google Maps printout documenting the proposed project's distance from the project(s) not yet placed in service. Distance is measured in radius and must be recognized in the market study. 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\*

*(Required for all projects)*

KHC's underwriting model must be completed in Excel using the most current version for that year's funding round. The yellow input cells of the model are the only areas in which the applicant may enter information. **Do not add formulas to any of the cells as this may interfere with KHC's underwriting of the project.** If an additional formula or other modifications to the model become necessary, you may contact a KHC multifamily staff member.

**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\*

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

KHC has developed a guidance checklist to ensure that project developers have considered most of the major underwriting factors that will be reviewed by KHC. A copy of the completed checklist must be provided with the application as evidence that the developer has exercised due diligence in completing the underwriting model.

### 3. Novogradac Rent and Income Calculator

*(Required for all Housing Credit and Tax-Exempt Bond projects; optional for non-Credit projects)*

Print and submit the completed Novogradac Rent and Income Calculator. Urban and rural designations must adhere to the RD definition in effect at the time of application. 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-provided form or local document)\*

Projects proposing full or partial tenant-paid utilities must include a utility allowance chart from KHC or the local PHA (in counties where KHC does not administer the Section 8 program). Projects with Project-Based Section 8 or RD-assisted properties must provide the current utility allowance from KHC, HUD, local PHA, or RD as applicable (the agency providing the rental assistance). **Historical utility usage data or base rate letters from the utility providers are not acceptable.** 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 (e.g., HOME, NHTF, or other HUD loans).

### 5. Market Study / Needs Analysis

KHC maintains an Approved Market Analyst List from which developers must select an appropriate firm or individual.

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. If reports are received that are not acceptable, the applicant/developer will be informed by KHC such report is unacceptable and the project will fail to meet the market threshold.

A market study is required for all projects (or each property in a portfolio transaction); however, projects of four units or less may submit a market needs analysis instead of a full market study. **Regardless of project size, a rent comparison study must be included in all market studies/analyses to determine market rents.**

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 provided.

The market study must provide the required information for the scoring categories applicable to the project and identify the supporting information as indicated in the current scoring workbook. Refer to [Chapter 11: Underwriting Requirements](#) for additional market study information.

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

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

Provide 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**

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

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

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

*(Required for project-based rental assistance, i.e., Project-Based Section 8, RD, etc.)*

Projects proposing existing Project-Based Section 8, RD, or other project-based rental assistance must provide a copy of the original rental assistance contract or agreement and the most recent renewal, if applicable. The contract or agreement (with renewals) may not be expired and must be currently in effect. Projects proposing new project-based rental assistance must submit a copy of the commitment letter from the rental assistance provider that identifies the proposed contract rents and utility allowances. The contract, agreement, or commitment letter must specify the number of rental 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 percent 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 Application Thresholds section for requirements for firm commitment letters. Any time limitations or expiration date of the commitment must be clearly stated in the letter.

## **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**

*(Required for all projects)*

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 plus any renewals/extensions must be valid at least through December 31 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. **The contract cannot contain seller's right of first refusal language.**
- Current Option to Purchase – The option plus any renewals/extension must be valid at least through December 31 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 the applicant to provide proof that the option has been extended or that the property can be purchased prior to 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).

**Note:** 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.

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

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

Provide a copy of any deed restrictions or subdivision restrictions currently on the property or, if no restrictions, a letter stating there are no deed restrictions. The letter must reference the project name and property address and must be from the seller, city/county official, or title attorney.

## Design and Construction Documents

### 1. **Location Map and Directions**

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

### 2. **Preliminary Plans**

Refer to [Chapter 13: Design and Construction Review](#) for more information about KHC's preliminary building plan requirements. Building plans must be uploaded as one single PDF document. All plans must clearly show the number of units.

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

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

**Applications for scattered site projects:** Site plans must be submitted for all sites and **complete** preliminary plans must be submitted 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. It should define the scope of work and provide a basis for what type of material or product that is to be used. Refer to [Chapter 13: Design and Construction Review](#) for more information about work write-up requirements.

### 4. **Site Plan**

*(Required for all projects types)*

Refer to [Chapter 13: Design and Construction Review](#) for more information about KHC's site plan requirements.

### 5. **Floodplain Map**

*(Required for all projects)*

Refer to [Application Thresholds](#) for more information about floodplain requirements.

Applicants must submit one of the following to demonstrate that the project structures and other portions of the site essential to the use of the tenants are not located in a floodplain:

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1. A Federal Emergency Management Agency (FEMA) map showing that project structures and other essential portions of the site are not located in the 100-year 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 survey certified to KHC that is signed, stamped, and dated and which shows the location of the floodplain and all existing building structures.
  - Information or maps generated from a local jurisdiction database or similar alternative will not be accepted.
2. A licensed surveyor's report of reclassification and FEMA Letter of Map Alteration must be attached if the property was previously located in the floodplain but has been built up and is no longer in the floodplain. The report must clearly state all land to be utilized for project structures has been raised at least one foot above the floodplain.

**6. Lead-Based Paint Determination Form\***

*(Required for rehabilitation projects built prior to 1978)*

Rehabilitation and adaptive reuse projects with buildings built prior to 1978 must complete the Lead-Based Paint Determination form to identify the level of lead treatment required. Any anticipated expenditures related to lead-based paint assessment, abatement, and/or clearance must be budgeted in the underwriting model.

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

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

Refer to [Chapter 13: Design and Construction Review](#) for more information on PCNA requirements.

Projects that were unsuccessful in the most recent previous funding round may resubmit the PCNA that was provided in the previous funding round with a letter or memo indicating that it is a resubmission. However, if funded, the PCNA must be updated at technical submission. **KHC reserves the right to ask for a PCNA or an updated PCNA on any project at its discretion.**

**8. Capital Reserve Replacement Schedule (CRRS)\***

*(Required for all Housing Credit and Tax-Exempt Bond projects proposing the rehabilitation or adaptive reuse of an existing structure)*

The CRRS is a projection of the anticipated capital needs of the property.

***CRRS Report Requirements:***

*(These specific items must be addressed in each report)*

- The projection must use KHC's current version of the Excel spreadsheet "Capital Reserve Replacement Schedule."
- The CRRS report must identify the preparer's name, company name, qualifications, professional license number, and the state in which the license was issued.
- The schedule must list individual sets of major components that are anticipated to require replacement using the reserve account during the projection term.
- The CRRS must utilize the most recent version of the [Fannie Mae Form 4099 Appendix F: Expected Useful Life \(EUL\) Tables](#) when inputting the EUL into the projection.
- CRRS projections are valid for a term of one year before an update is required.

- Future draw requests from the reserve account will be compared to the CRRS projection to verify it is an item planned to be covered by the schedule.
- Additional requirements are in the instructions tab of the CRRS spreadsheet.

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

*(Required for all projects)*

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

- A letter from the local zoning board or governing authority 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 that shows the classification of the proposed site and neighboring sites. **The site location must be clearly indicated on the map.**

If the property is not currently zoned appropriately for the proposed project, the applicant may submit evidence that a rezoning application has been submitted to the applicable jurisdiction. Evidence of the zone change and confirmation that the proposed project is allowed at the site location must be submitted no later than the technical submission deadline.

## CHAPTER 5: Technical Submission Stage

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Once an applicant receives a preliminary award letter from KHC, the application will then enter the technical submission stage. At this stage, applicants are required to address any underwriting issues and other conditions or comments that resulted from the initial application review process.

### *Technical Submission Document Requirements*

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Owners must upload additional due diligence documentation through the Universal Funding Application (UFA) system. If a checklist item does not apply, you may check the "N/A" button. For documents that exceed the file size limit and are too large to upload as a single document, place those documents on a flash drive and mail to your assigned program specialist by the technical submission deadline. **Do not break large documents into several smaller files for the purposes of uploading to the UFA.**

Below is a description documents that will be required during the technical submission stage. This is not an all-inclusive list of items; your assigned program specialist may request additional documentation. The technical submission documents identified below are grouped in categories which must be submitted independently of each other; however, ALL technical submission documents must be submitted by the applicable due date. **It is the applicant's responsibility to identify and utilize all KHC-provided forms, which are marked with an asterisk\***. All KHC-provided forms are located on our [website](#).

To mitigate any potential problems with uploading documents due to system overload or other technical issues, it is recommended that you do not wait until the last day to submit the technical submission documents. **All projects that do not successfully complete technical submission by 12:00 noon ET on the deadline date are subject to payment of a \$5,000 penalty fee in addition to the applicable extension fee.**

### Underwriting Documents

#### **1. Updated Underwriting Model\***

*(Required for all projects)*

An Excel version of the project's updated underwriting model, using the version returned to the applicant after funding announcements, must be uploaded to the online application system. If any terms of non-KHC funding or financial projections (sources of funds, construction costs, rents, annual expenses, etc.) have changed since the initial application submission, the underwriting model must reflect these changes and supporting documentation must be provided. Responses must also be provided on the underwriting model to all comments or issues identified by KHC.

#### **2. Draft Partnership Agreement or Updated Firm Equity Commitment**

Provide a copy of the draft partnership agreement (preferred) or an updated firm equity commitment. Equity commitments must be current, on the provider's letterhead, contain the specific terms for the purchase of credit (credit pricing, amount of annual credit anticipated, total equity investment, pay-in schedule, required fees, reserve account requirements, etc.), identify income elections, including the average income test (AIT) if elected by the owner, identify the project name, and be dated and signed. If the project is utilizing a KHC bridge loan, the commitment must recognize the bridge loan and state the benefit of the delayed equity pay-in to the pricing structure and total equity investment.

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

*(Required only if original funding commitments submitted with application have changed or expired. Must be submitted by the technical submission deadline, no extensions)*

KHC's HOME and AHTF funds require a 5 percent match of other funds. Any non-KHC financing source may be eligible; KHC funds may not be used as match for other KHC funds. Firm commitment letters for all match and other funding sources identified in the application and underwriting model must be provided. Refer to [Chapter 11: Underwriting Requirements](#) for additional information regarding match requirements.

Firm commitment letters for all non-KHC sources must be on the funding source's letterhead and:

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

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

If the firm commitment letters have not been submitted by the original technical submission deadline, the conditional commitment will expire automatically, and KHC will recapture all associated funding. **No extensions of the technical submission deadline for firm commitments will be granted.** Firm commitments from RD or HUD loan financing are not required within this timeframe, but must be provided to KHC as soon as they are available. Time is of the essence with respect to the conditional commitment and all time limitations therein.

Applicants applying to RD for resources or assistance must provide a complete application and all required documents to the RD office as soon as possible after receipt of the preliminary award letter. KHC will not grant extensions to the closing deadline due to an applicant's delay in providing RD with the required application and supporting documentation.

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

### 4. **Appraisal**

An appraisal is required on projects/properties where KHC's total loan amount (including due at maturity and forgivable at maturity loans) is \$250,000 or more or for projects requesting Housing Credit for acquisition. KHC 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](#). The list of KHC-approved appraisers is available on KHC's website, [www.kyhousing.org](http://www.kyhousing.org).

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Housing Credit projects not requesting KHC loan funds but are requesting acquisition credit must provide an appraisal supporting the building basis for purposes of determining the proper amount of Housing Credit reserved. The appraisal must provide at a minimum the "as-is" market value of the building and a separate site value for the land. Eligible basis will be limited to the basis determined by the final cost certification. These appraisals do not need to meet KHC's appraisal guidelines in regard to formatting and layout or need to be ordered from KHC's approved appraisers; however, the appraisal must still provide a separate value for the land and KHC must be named as an intended user. Any variations from KHC's underwriting standards to be used in the appraisal must be approved by KHC during the application stage.

Refer to [Chapter 11: Underwriting Requirements](#) for additional guidance on appraisals.

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

*(Required for Risk-Sharing projects with Housing Credit)*

Submit proof of completion of the Baseline APPS or the completed HUD-2530 form. KHC will forward the completed HUD-2530 to HUD during the review of the final underwriting. These can be found on HUD's website, [www.hud.gov](http://www.hud.gov).

**6. Identification and Certification of Eligible Limited Liability Investor Entities\***

*(Required for Risk-Sharing projects with Housing Credit)*

The certification form is part of HUD's previous participation requirement and must be completed by the equity investor and/or syndicator. KHC will forward this form to the local HUD office during review of the final underwriting. This form can be found on KHC's website, [www.kyhousing.org](http://www.kyhousing.org), under Development; Multifamily; [Technical Submission](#); Risk-Sharing Documents.

## Design and Construction Documents

**1. Proof of Proper Zoning**

*(Required for projects without zoning approval at application)*

If the project site was not properly zoned at the time of application submission, the applicant must submit evidence that the proposed site has been rezoned for the proposed intended use. The following documents are required:

- A letter from the local zoning board or governing authority indicating the type of zoning in place and that the proposed development is now allowed at the project site.
- All zoning requirements and/or restrictions that affect the design or building location.
- A local zoning map that shows the classification of the proposed site and neighboring sites. **The site location must be clearly indicated on the map.**

**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 HQS.

- The architect and owner must submit an executed copy of their agreement using the most recent and up-to-date AIA documents.

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- 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. Final Construction Plans**

*(Required for all projects)*

Refer to [Chapter 13: Design and Construction Review](#) for more information about KHC's final building plan requirements.

### **4. Final Specifications / Work Write-Up**

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

KHC will review the final specifications in conjunction with the final plans. All modifications or corrections will be made during the technical submission stage. If changes occur during the review of the final plans that may cause a change in the specifications, the applicant will be notified of any additional changes or corrections that need to be made. Refer to [Chapter 13: Design and Construction Review](#) for more information.

### **5. Evidence of Plan Submission to Local Building Permit Authority or Kentucky Department of Housing, Buildings, and Construction**

*(Required for all projects; attach with plans)*

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

The local Department of Housing, Buildings, and Construction (or other local jurisdiction in the county where the project is located) must review and approve the plans and specifications. If the local jurisdiction has no authority or building inspector, the developer should obtain approvals from the Kentucky Department of HBC in Frankfort if the project consists of two or more attached units (subject to change by policies of HBC). Any changes made by local or state officials must be reflected on the final plans and/or an addendum will need to be submitted to KHC for final approval.

### **6. 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 provide documentation explaining how the design of the development will provide the most efficient insulation and heating system.

### **7. Certification of Accessibility\***

*(Required for all projects)*

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.

## 8. **EPA Lead Compliance Certification\***

*(Required for projects with buildings built prior to 1978)*

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.

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

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

- Inside – Renovation or repair activities where six square feet (about the size of a poster) or more of a painted surface is disturbed.
- Exterior – Renovation or repair where 20 square feet or more of painted surface (about the size of a door) is disturbed on the exterior.
- Window replacement.
- The only exception is when paint is proven lead-free or the job is smaller than 6 square feet.
- Safe work practices include:
  - Posting a warning sign.
  - Spreading plastic to pick up debris.
  - Refraining from sanders or other machines without a filter to prevent the spread of dust.
  - Cleaning up thoroughly.
  - Checking the work area.

## 9. **Davis-Bacon Wage Rate Request\***

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
  - *Note:* 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](#) dated June 25, 2014 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).

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

For new construction, adaptive reuse, or rehabilitation projects with newly constructed units, letters from the local utility companies indicating the availability and capacity of utilities to the proposed site must be provided. All connection fees, tap fees, and/or relocation cost, if any, must be included in the development budget. 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, and the anticipated cost, along with evidence the local municipality will bear the cost. If the developer is extending the utilities to the site, the utility extension must be completed before KHC funds can be accessed or the funds must be placed in escrow to assure completion of the utility extension.

#### **11. Subsurface Soils Investigation Report**

*(Housing Credit and Risk-Sharing Projects Only)*

Required for:

- New construction projects or rehabilitation projects with new construction;
- As deemed necessary by KHC.

A soils engineer must perform the report, including a site plan with the soil boring locations, testing results, footing designs, and recommendations. Test borings must be performed in critical areas where buildings are proposed.

### **Environmental Review Documents**

If applicable, submit items 1–7 below to your environmental contractor and upload via the UFA system immediately upon receipt, even if prior to submitting the rest of the Technical Submission items. Not providing these documents in a timely manner could delay the project, since you 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 has been issued. **The completed Environmental Review Record (ERR) must be uploaded at the pre-closing stage.**

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

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

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

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

*(Required for HOME, NHTF, and/or Risk-Sharing projects)*

If applicable, applicants must submit the Clearinghouse letter provided by the Kentucky Department for Local Government (DLG) stating the project has gone through the process to ensure there will be no negative impacts on the environment and has received clearance to move forward with the environmental review. This letter is received after application has been made to the DLG State Clearinghouse through the [Kentucky Intergovernmental Review Process](#) and will

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provide information regarding further inspections or documentation that may be required. The environmental review cannot be completed until the Clearinghouse letter has been submitted.

**Note:** To avoid potential project delays, it is very important you read the comments received from Clearinghouse. This letter serves as the opportunity for many state and federal agencies to identify any additional requirements they may have for your project.

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

*(Required for historic preservation projects)*

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

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**

*(Required for projects utilizing federal or state historic rehabilitation credit only)*

Provide 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. Refer to the [SHPO website](#) for more information.

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

A Phase I Environmental Site Assessment, which conforms to proper ASTM standards, is **required for all new construction** projects consisting of more than four units with HOME, NHTF, Risk-Sharing, and/or Project-Based Section 8 as **any** portion of funding. KHC may request a Phase I on any project it deems necessary, including those in which an appraisal indicates actual or evidence of possible environmental liability.

The environmental site assessment determines whether a parcel of land or real estate has the presence of any hazardous substances or petroleum products. These conditions could be of an existing release, a past release or a material threat of a release of any products found on the property or into the ground, ground water, or surface water of the property or surrounding properties. The range of contaminants shall be within the scope of Comprehensive Environmental Response, Compensation, and Liability Act. The scope of this practice includes research and reporting requirements that support the user's ability to qualify for the innocent landowner defense. Documentation of all sources, records, and resources utilized in conducting the inquiry required by this practice must be provided in the written report. Individuals or agencies must be experienced in this field of work and have a current knowledge of all related federal and state law requirements. All reports shall be prepared in accordance with the standards set forth in ASTM E1527 and ASTM E1528. For more information, you may refer to [www.astm.org](http://www.astm.org).

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

*(May be required on projects of 12 units or more)*

The Phase I will indicate if a Phase II environmental assessment is required. A Phase II assessment is only required when there is an item of concern discovered during the Phase I, requiring additional action to further investigate or remedy the problem.

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## **7. Archeological Survey**

*(If requested by SHPO)*

If an archeological survey is required as part of the SHPO review, a list of approved surveyors can be provided by SHPO. A copy of the survey must be provided to KHC.

## **Legal Review Documents**

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

*(Required for all projects)*

The tenant selection plan must be a written policy to ensure new tenants are selected in adherence to the owner's policies and all applicable federal requirements and must describe the criteria that will be used to identify eligible tenants. The plan must require tenants and management to comply with Uniform Residential Landlord Tenant Act (URLTA) (refer to [Chapter 12: Program Policies](#)) and, if applicable, the process for notifying the local PHA of vacancies to give priority to households on the PHA's waiting list, as well as any other tenant selection preferences for which the applicant received points. Additional guidance can be found on KHC's website, [www.kyhousing.org](http://www.kyhousing.org).

### **2. Tenant Lease with KHC Lease Addendums\***

*(Required for all projects)*

A sample of the lease that will be executed between the tenant and owner must be submitted for KHC's review. The lease must contain the KHC HOME/National Housing Trust Fund Lease Addendum (for projects receiving HOME or NHTF funds) or the standard KHC Lease Addendum (for all other projects). If governmental approval is required for use of the KHC lease addendums, such as when using a HUD or RD form lease, it is the owner's responsibility to obtain such approval before submission of the lease to KHC. Any special provisions related to a lease-purchase project must also be included in the lease. The KHC lease addendums can be found on KHC's website, [www.kyhousing.org](http://www.kyhousing.org).

### **3. Relocation Plan**

*(Required for all projects involving existing buildings with current occupants)*

A relocation plan must be provided if the project is rehabilitating existing rental units, even if no tenants are anticipated to be relocated. The plan must detail if permanent or temporary relocation will be involved, how the relocation will occur, who will pay for it, and how the tenant will be compensated. Anticipated relocation expenses must be budgeted in the underwriting model.

Projects utilizing 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 provide approval of the relocation plan by the local jurisdiction. Projects proposing Housing Credit-only or non-federal KHC funding sources (AHTF or SMAL) only may refer to KHC's relocation requirements in [Chapter 12: 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

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of the application must be provided with the Move-In Notice. Refer to HUD Handbook 1378 for more information and sample notices. All relocation notices must have documentation of proof of receipt by the tenants and be maintained in the tenant file.

**5. VAWA Emergency Transfer Plan**

*(Required for all projects with Federal funds and/or Housing Credits)*

Developers and management companies must develop 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. The Emergency Transfer Plan must comply with the requirements of 24 CFR 5.2005(e).

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 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). Refer to [Chapter 12: Program Policies](#), for more information about protections and notices required under the Violence Against Women Act (VAWA).

**6. Affirmative Fair Housing Marketing (AFHM) Plan\***

*(Federal funds only, five units or more)*

Each applicant is required to carry out an affirmative marketing program to attract prospective tenants of all minority and non-minority groups in the housing market area regardless of their race, color, religion, sex, sexual orientation, national origin, disability, or veteran or familial status. 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. The AFHM form can be found on KHC's [website](#).

**7. Fair Housing Plan**

*(Federal funds only)*

Applicants requesting federal funds must submit a fair housing plan that ensures that all citizens in the service area are aware that affirmatively furthering fair housing is a priority. A sample fair housing plan is located on KHC's website, [www.kyhousing.org](http://www.kyhousing.org).

**8. Title VI Self-Survey and Statement of Assurance\***

*(Federal funds only)*

Title VI of the Civil Rights Act of 1964 prohibits discrimination based on race, color, or national origin. Applicants requesting federal funds must submit a Title VI Self-Survey and Statement of Assurance. These forms can be found on KHC's website, [www.kyhousing.org](http://www.kyhousing.org).

**9. Section 504 Self-Evaluation\***

*(Federal funds only)*

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

A self-evaluation of all aspects of the organization, including all buildings or facilities for physical accessibility, program outreach and communication, eligibility and admission criteria and practice, distribution and occupancy policy and practice, percentage of accessible units, employment, and

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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.** It is required that all recipients with 15 or more employees keep the evaluation on file for at least 3 years.

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.

Projects with federal funds must submit a Section 504 Self-Evaluation with attachments (and transition plan, if applicable). These forms can be found on KHC's website, [www.kyhousing.org](http://www.kyhousing.org).

#### **10. ALTA Survey**

*(Required for all projects with KHC loan funds)*

A surveyor licensed in the Commonwealth of Kentucky must complete an ALTA survey. The survey must be certified to KHC, stamped, sealed, signed by the licensed surveyor, 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**. The survey must also include the following:

- Metes and bounds at a preferred scale of 1-inch equals 20 feet but no smaller than 1-inch equals 40 feet.
- For projects utilizing previously platted properties on record, a legal description referencing the recorded plat. A copy of the plat recording must also be provided.
- 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.

**Note: An electronic copy of the survey may be initially accepted, but KHC reserves the right to request a hard copy of the survey at any time.**

#### **11. Title Commitment**

*(Required for all projects with KHC loan funds)*

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\***

*(Required for all projects)*

KHC's policy is to promote a drug-free environment for all individuals acquiring KHC-assisted housing. The Drug-Free Workplace Certification form certifies the project will provide a drug-free workplace. This form is on KHC's website, [www.kyhousing.org](http://www.kyhousing.org).

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

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

The applicant's tax attorney must provide 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 provided to KHC.

### 4. **Authorized Signature Form\***

*(Required for all projects with KHC funds)*

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

### 5. **Site and Neighborhood Standards Questionnaire\***

*(HOME and NHTF new construction projects only)*

Each recipient 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. The Site and Neighborhood Standards Questionnaire must be completed and submitted to KHC for review and approval prior to release of funds. This form can be found on KHC's website, [www.kyhousing.org](http://www.kyhousing.org).

### 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, and must detail the applicant's exit strategy and calculation of the estimated affordable purchase price for the unit and the pre-purchase counseling that will be required of the tenant. In addition, the plan must clearly show how the property will be managed during the compliance period and how the tenant's down payment and closing cost obligations will be handled.

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## *Housing Credit Carryover Documentation*

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Projects receiving a reservation of Housing Credit must submit additional documentation to carry over the credit into the following year. Owners must submit carryover documentation to KHC **on or before the Friday prior to Thanksgiving each year; late submission will incur a one-time fee of \$1,000**. This fee must be received by KHC to issue the Carryover Certificate.

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

Recipients of Housing Credits must submit the following:

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

### **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 in the project must be submitted.

### **4. Owner certification of federal, state, or local loans and/or grants\***

KHC is required to ensure that the amount of Housing Credits allocated to a project does not exceed the amount necessary for the financial feasibility of the project. In making this determination, KHC will consider, among other things, the amount of subsidy the project is receiving. This form can be found on KHC's website, [www.kyhousing.org](http://www.kyhousing.org).

### **5. Evidence of having incurred more than 10 percent of total project costs or a written request for 10 percent test extension**

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 percent of the total project cost **or** submit a written carryover request for an additional 12 months.

## CHAPTER 6: Pre-Construction and Pre-Closing Stages

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All loan and equity closings and execution of funding agreements occur after successful completion of the technical submission stage and final underwriting. Owners must submit additional documentation noted below for final underwriting and other documents will be required prior to closing and the commencement 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 the final reservation of Housing Credits will be issued and/or closing documents prepared by KHC's legal department.

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. If the developer already owns the sites, this should occur prior to the closing.

**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 preclosing stage with missing or incomplete documents will not satisfy the 30-day notification requirement.**

**It is the applicant's responsibility to identify and utilize all KHC-provided forms, which are marked with an asterisk\* and available on [KHC's website](#).**

### Organizational Documents

Any previously-approved development team member who has had changes in their organizational structure since receipt of their capacity approval letter must submit their organizational documents via the UFA at the pre-closing stage. Any development team member with new principal officers/members must also provide resumes for those individuals. Refer to [Chapter 2: Development Team Capacity Application](#), for a complete list of required organizational and credit review documents.

## *Documents Required for Final Underwriting and Closing*

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### Underwriting

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

The project's final underwriting model must reflect all of 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 (Housing Credit projects), 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. **A fully executed copy of the final limited partnership agreement must be provided to KHC within two weeks of the equity closing.**

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

Projects proposing new project-based voucher rental assistance must provide 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\***

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. Request to Draw Funds at Closing**

Unless otherwise approved by KHC, draw requests for KHC funds at closing for acquisition costs or reimbursement of pre-development soft costs are only allowed for KHC equity bridge loan (EBL) funds in a Tax-Exempt Bond project or for non-credit projects with a nonprofit owner.

The applicant must notify KHC in writing if funds will be requested at closing. **For HOME and/or NHTF funds, KHC's draw system cannot be activated until the executed Funding Agreement has been received at KHC, which must be no less than two (2) weeks prior to the anticipated closing date.** A draw request must be submitted through the draw management system, along with appropriate supporting documentation for the amounts requested, no less than five (5) working days prior to the anticipated closing date. Refer to Chapter 7, Draw Request Process for Funds at Closing, for more information.

**2. Electronic Funds Transfer/Wiring Authorization Form\***

*(Required for all projects with KHC loan funds)*

KHC only disburses funds electronically. All funds to be disbursed at closing must be deposited into the closing attorney's escrow account by wire for funds to be available on the day of closing.

Electronic Funds Transfer (EFT) authorizations are required if KHC funds will be drawn during construction. To receive funds electronically – either by EFT or wire – the project owner must request an EFT/wire transfer form from KHC's Accounting Department by sending an email to [accountspayable@kyhousing.org](mailto:accountspayable@kyhousing.org). All forms must be original and will be mailed to you upon request. The financial institution information section **must be completed by your financial institution** and a voided check must be attached for the form to be valid. The original completed form, along with the voided check, must be returned by mail to KHC. 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.

To evidence that the project has arranged for electronic funds transfer and/or wiring, a scanned copy of the completed EFT/Wiring Authorization form must be uploaded at the pre-closing stage.

**3. Owner's Employer Identification Number (EIN)**

*(Required for all projects)*

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

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

*(Required for HOME, HOME-ARP, NHTF, or Risk-Sharing projects)*

The project owner must obtain a Unique Entity Identifier (UEI) number from the U.S. General Services Administration (GSA) in the System for Award Management ([SAM.gov](https://sam.gov)). The UEI number and proof of registration must be provided to KHC. Registration must be kept current and updated annually.

**Legal**

**1. Organizational Documents**

If the owner/borrower is a newly-formed entity and has not previously provided organizational documents, or has amended its organizational documents after their initial submission to KHC, copies of the organizational documents and any amendments must be provided for the owner/borrowing entity. 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 loan funds)*

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 loan funds)*

KHC requires a title commitment or proforma policy for each KHC funding source. The revised title commitment or proforma policy must be submitted and dated no more than 30 days prior to the closing date. If multiple funding sources are being used in the project, KHC requires a proforma policy. If KHC funds will be disbursed at closing, KHC also requires that an Insured Closing Letter and proforma policy be issued in its favor by the title insurance company.

**4. Final ALTA Survey**

*(Required for all projects with KHC loan funds)*

The survey provided during technical submission will be reviewed by KHC to ensure all requirements are met and there are no issues with the project site. An electronic copy of the final ALTA survey must be received by KHC **no later than 30 days prior to closing** and include any updates or project site changes as requested. All updates or project site changes must be signed off on by the surveyor.

**5. Surveyor's Report**

*(Required for projects utilizing Risk-Sharing funds only)*

A completed surveyor's report HUD Form 92457, signed and stamped by a licensed surveyor in the state of Kentucky, and dated within 30 days of the day of closing must be provided.

**6. Verification of Site Control**

*(Required for all projects with KHC loan funds)*

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

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

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

## **7. Environmental Review Record (ERR)**

*(Required for all projects with HOME and/or NHTF)*

When the required environmental review is complete and full environmental clearance has been achieved, a copy of the entire document package utilized by the environmental review contractor must be provided to KHC. Closing may not occur until KHC has reviewed and approved the ERR.

## *Documents Required Prior to the Start of Construction*

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

### **1. Owner and Contractor Agreement**

*(Required for all projects)*

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 estimate 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 to the plans, specifications, and any addendums that have been issued.
- Davis-Bacon Wage Rate clause (if applicable).
- Section 3 clause (if applicable).

### **2. Assurance of Completion**

*(Required if KHC funds exceeds \$100,000 or are drawn during construction)*

An assurance of completion will not be required if KHC is only providing permanent financing with funds disbursed at project completion. **KHC will determine the adequacy and sufficiency of assurances of completion.**

Assurances of completion shall 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 percent 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 percent 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 percent of the total KHC funds.

**3. Evidence of Proper Insurance**

*(Required for all projects with KHC funds)*

The contractor must provide 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.**

**4. Building Permit**

*(Required for all projects)*

The contractor must receive a building permit before construction can begin. If the local jurisdiction does not require a building permit, the mayor or county judge executive must provide a letter of verification.

**5. Approval Letter from the Department of Housing, Buildings, and Construction**

*(If applicable)*

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

**6. Construction Inspection Fee**

*(Housing Credit projects only)*

Evidence of online payment of the one-time construction inspection fee of 1.75% of the annual Housing Credit allocation amount must be provided prior to construction start.

**7. Final Cost Estimate**

*(Required for all projects)*

The final cost estimate must indicate the actual amount that will be spent on each line item during construction. This document will be utilized throughout the course of construction for disbursement of funds. The estimate should not include soft costs on any of the line items. **The total amount of the final cost estimate must match the total of all hard costs included in the KHC underwriting model.**

The cost estimate can be one of three different forms:

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

Owners must apply the correct cost with the line item that best describes the work.

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Applicants/owners are also required to enter the construction cost breakdown from the final cost estimate into the UFA system under the "other actions" dropdown menu. Full instructions for completing this requirement can be found in the FAQ section of the UFA.

**8. Construction Schedule**

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

**9. Pre-construction Conference Form\***

*(Required for all projects)*

At the pre-construction conference, the developer will be required to provide the KHC Pre-construction Conference form, which will be signed by the developer, contractor and KHC construction specialist. When all pre-construction documents have been approved and the applicable closings have occurred, the assigned KHC program specialist will execute the bottom of the Pre-construction Conference form, which will constitute the Notice to Proceed with construction. Refer to Chapter 13: Design and Construction Review for more information.

**10. KHC Project Review Agreement\***

*(Required for all projects)*

All projects are subject to inspection by KHC. 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.

## CHAPTER 7: Closing and Construction Stage

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No loan and/or equity closings may be scheduled until KHC has approved all the required pre-construction and pre-closing documentation and issued its final underwriting approval. KHC will determine the closing date and timeline for any KHC loan funds. Any costs associated with the closing, including recording and legal fees, are the responsibility of the borrower.

There are three different types of closings that can occur on a Risk-Sharing loan:

- **Initial Closing:** If Risk-Sharing funds will be used during construction, there will be a separate closing of the construction loan.
- **Final Closing (Insured Advance):** Once construction of a project that had an initial closing is complete, there will be a final closing to convert the construction loan to a permanent loan.
- **Insured Upon Completion:** When a project will only use Risk-Sharing funds as a permanent loan source, the permanent closing will occur after construction is complete. **At this time, KHC only offers Risk-Sharing funds as an insured upon completion permanent loan.**

Each of the three different closings has separate checklists of the documentation needed for the closing.

### *Loan Closing Information*

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KHC will prepare a draft of its loan closing documents, which are sent 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.

KHC's legal staff will work with owner's counsel on any revisions to the closing documents that may be needed. Once a final version is agreed upon by all parties and all conditions to closing 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 owner's counsel to issue the title policy, or if owner's counsel is not issuing the title policy, the agreement of the title agent issuing the policy that the policy will be issued in conformance with the marked-up title commitment for title insurance provided to owner's counsel.

Construction **cannot commence** until KHC has received the original, signed and recorded closing documents, including a copy of the recorded deed, unless KHC has authorized an "early start."

### **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**

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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**

*(Required for all projects)*

A copy of the executed and recorded deed or executed property lease (as applicable) must be provided after closing and prior to construction start. If the property will transfer ownership, the deed must show the transfer and be executed and recorded.

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

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

*(Required for all Housing Credit projects)*

A copy of the fully executed limited partnership agreement or operating agreement, as well as all exhibits and attachments referenced in the agreement, must be provided. **The executed agreement may not be materially different than the final draft agreement reviewed by KHC, unless previously approved by KHC.**

## *Draw Request Process for Funds at Closing*

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Unless otherwise approved by KHC, draw requests for KHC funds at closing for acquisition costs or reimbursement of pre-development soft costs are only allowed for KHC equity bridge loan (EBL) funds in a Tax-Exempt Bond project or for non-credit projects with a nonprofit owner/developer. Owners must notify the KHC project specialist during the pre-construction/pre-closing stage of the request to draw funds at closing. The closing draw must include all closing fees due to KHC that were not received prior to closing (e.g., loan origination fee, processing fees, etc.).

KHC must receive the executed Funding Agreement and Exhibit A at least two weeks prior to the intended closing date for non-credit projects requesting HOME funds at closing. The project specialist will provide notification when the draw system has been activated and available to submit a [Program Funding Draw Request](#) must be submitted, with the closing attorney's wiring instructions and all documentation supporting the amount(s) requested.

KHC will not release funds requested at loan closing until KHC receives copies of the executed loan documents and has approved the executed closing statement. KHC will not release subsequent draw requests until the original recorded documents have been returned.

## *Construction Stage*

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Once the project has closed on all funding sources and/or Housing Credit equity and all pre-construction documentation has been approved, KHC will issue the Notice to Proceed, which is the developer's authorization to begin construction. Refer to [Chapter 13: Design and Construction Review](#) for more information about the required pre-construction conference, Notice to Proceed, construction inspections, change orders, and the process for requesting funds during construction.

## CHAPTER 8: Construction Completion/Placed-In-Service Stage

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

A final inspection will be conducted by the architect (if applicable), the contractor, and KHC's construction specialist. The final inspection will cover all interior and exterior items. A final punch list of items still needing completion will be submitted by the architect and provided to the construction specialist. A follow-up inspection will be conducted to verify all punch list items have been addressed and completed. KHC will not release the 10 percent retainage held during the construction phase until a final inspection report showing all punch list items have been completed and all project completion documents are received and approved. Risk-Sharing projects are also required to be inspected one year after construction completion. Owners may not submit the construction completion/placed in service stage until KHC has issued a 100 percent complete final inspection, with no outstanding follow up items.

### *Required Documents*

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Owners must submit the following items after completion for KHC to close out the project and release any remaining funds that are held for retainage and/or issue the IRS Form(s) 8609, as applicable. **It is the applicant's responsibility to identify and utilize all KHC-provided forms, marked with an asterisk\*.**

**1. Final As-Built Survey**

*(Required for projects utilizing Risk-Sharing funds only)*

A survey prepared by a surveyor licensed in Kentucky must show 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 (AIA G704, G702, and G703)**

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

The architect shall issue 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**

*(Required for all projects)*

Owners must provide a Certificate of Occupancy from the local jurisdiction for each building in the project, or if the jurisdiction does not issue certificates of occupancy, a letter from the Kentucky Department of Housing, Buildings, and Construction.

**4. Termite Certificate**

*(Required for all new construction projects)*

A termite certificate utilizing HUD Forms NPMA-99-A and NPMA-99-B issued by a licensed pest control company must be provided as evidence the building(s) and surrounding foundation(s) were treated to prevent termite infestation. Refer to KHC's [Termite Control Services/Commercial Applicator Licensing](#) requirements for more information.

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**5. Termite Inspection Report**

*(Required for all rehabilitation and adaptive reuse projects)*

A termite inspection report utilizing [HUD Form NPMA-33](#) from a licensed pest control company must be provided as evidence the building(s) were inspected for the presence of termites, and if found, that the building(s) were treated for termite infestation. Refer to KHC's [Termite Control Services/Commercial Applicator Licensing](#) requirements for more information.

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

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

A copy of the Certificate of Clearance provided by the abatement company must be provided as proof that the presence of lead has been remediated.

**7. Project Completion Report (PCR)\***

*(Required for projects funded with HOME and/or NHTF)*

The PCR is required to report project information, performance measures, final sources of funds and use of HOME/NHTF funds, and designation of the fixed or floating HOME units at initial occupancy. Only the HOME/NHTF units are shown on the report. **If all HOME/NHTF units have not leased up at submission, the PCR must be resubmitted until all HOME/NHTF units have been leased.** The total activity cost must match the total project cost on the Final Funds Expenditure Statement.

KHC will not release the final retainage of HOME/NHTF funds until after receipt of the completed PCR and Final Funds Expenditure Statement. All documents needed to complete the PCR can be found on KHC's website, [www.kyhousing.org](http://www.kyhousing.org).

**8. Final Funds Expenditure Statement\***

*(Required for projects funded with HOME and/or NHTF)*

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

**9. Section 3 Report\***

*(Required for projects funded with HOME, NHTF, and/or Risk-Sharing)*

Section 3 reporting is required annually during construction and at project completion 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. All contracts and subcontracts for projects with combined HUD assistance of \$200,000 or more must contain a clause regarding the Section 3 requirement. Refer to [HUD's Section 3 webpage](#) for more information and guidance.

**10. Minority Business Enterprise/Women Business Enterprise (MBE/WBE) Report\***

*(Required for projects funded with HOME, NHTF, and/or Risk-Sharing)*

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

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**11. Equal Employment Opportunities Commission (EEOC) Certificate\***

*(Required for Housing Credit projects with no KHC HOME, NHTF, and/or Risk-Sharing funds)*

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

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

EEOC certificates are not required if a Housing Credit project was required to submit the MBE/WBE report due to KHC HOME, NHTF, or Risk-Sharing funds.

**12. Kentucky-Based and Disadvantaged Business Participation Certification\***

Applicants who pledged the participation in the project of Kentucky-based and/or disadvantaged businesses must complete and submit the certification form for each participating business, along with an executed copy of the contract or invoice evidencing their participation was for at least \$1,000 in materials or services. If the business was not previously identified at application, a copy of the appropriate certifications must also be provided with the completed form(s).

**13. 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.

**14. Final Property Insurance Declaration Page**

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

**15. Copy of Management Contract**

*(For projects utilizing a management company)*

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

**16. Operating Deficit Reserve/Reserve for Replacement/Tax and Insurance Escrow Certification\***

Owners must provide the certification if not submitted at the pre-closing stage or if it has changed, an updated copy must be provided. 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.

**17. Final Cost Certification**

*(Required for projects utilizing Risk-Sharing)*

Upon completion, an independent Certified Public Accounting firm shall submit a cost certification of all development costs, including a cost breakdown by building and a sources and uses of funds statement. Construction hard costs must be based on a schedule of values using CSI format.

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

Applicants are also required to enter the construction cost breakdown from the final cost certification into the UFA system under the "other actions" dropdown menu. Full instructions for completing this requirement can be found in the FAQ section of the UFA.

**18. Building Addresses for All Buildings**

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

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

To help promote the successes of the housing programs KHC administers, **marketing quality** photos of the completed project must be submitted, 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 necessary that the quality of the photos be suitable for these purposes. **Please submit photos that represent your project in the best possible way and that you would be proud to feature on a website, in national publications, award submissions, etc.**

**20. AHTF/SMAL Close Out Form\***

*(Required for projects funded with AHTF or SMAL)*

A separate close out form must be completed to verify the total amounts of AHTF and/or SMAL funds expended for the project.

**21. 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 provided. 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.

## CHAPTER 9: Land Use Restriction Agreement and 8609 Stage

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After the construction completion/placed in service stage has been submitted and approved, owners of Housing Credit projects must submit the following additional documentation to obtain the Land Use Restriction Agreement (LURA) as well as the IRS Form(s) 8609 no later than 6 months from the project's construction completion date, as evidenced by a certificate of occupancy or an architect's certificate of substantial completion (if rehabilitation). 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.

KHC will prepare the LURA using the information provided and will be mailed 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 percent and 9 percent credit allocated to each building. **The LURA/8609 stage will not open in the UFA system until KHC has received and approved all of the required construction completion documents.** Issuance of the 8609s may be delayed if all required project completion documents have not been submitted and approved, and/or if the project has not successfully passed a final inspection by KHC. At a minimum, owners should anticipate at least 30-60 days for KHC to complete the LURA and 8609 process. **It is the applicant's responsibility to identify and utilize all KHC-provided forms, which are marked with an asterisk\*.**

### **1. Final Cost Certifications (Owner and Contractor)**

Upon completion, an independent Certified Public Accounting firm shall submit a cost certification of all final development costs, including a cost breakdown by building, as well as other costs incurred. 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](#).

Applicants/owners are also required to enter the construction cost breakdown from the final cost estimate into the UFA system under the "other actions" dropdown menu. Full instructions for completing this requirement can be found in the FAQ section of the UFA.

### **2. Housing Credit Rate Lock Agreement**

If the project owner elected to enter into a Housing Credit rate lock agreement, a copy of the executed agreement must be submitted for issuance of the IRS Form(s) 8609.

### **3. Building Information Grid\***

Project owners must complete 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.

### **4. 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 provided. The sources and uses must agree with the final cost certification.

### **5. Owner Certification of Federal, State or Local Subsidy\***

The owner must sign and submit a Certification of Federal, State or Local Subsidy.

**6. Title Insurance Policy**

An owner's or lender's title insurance policy for the property must be submitted. The information in the title policy provided will be used to determine if there are other lenders that will be required to sign the LURA.

**7. 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 must be submitted. The endorsement or attorney's letter must be dated no more than 15 days from the date of the 8609/LURA request.

**8. Tax Information Authorization Form 8821\***

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.

**9. Certification of Sources & Uses Form\***

A completed Certification of the Sources and Uses form signed by the owner and syndicator/equity provider must be submitted.

**10. 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.

**11. Resolution/Consent Authorizing Execution of the LURA**

Provide 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 provided, but is subject to review and acceptance by KHC.

**12. Updated Organizational Documents**

If any changes have been made since the preclosing stage, the owner must provide 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.

## CHAPTER 10: Funding Sources and Requirements

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

### Special notes applicable to all KHC funding sources:

- All projects involving current tenants (regardless of whether or not the tenants will be relocated) must submit a relocation plan. Documentation that the applicable relocation notices have been provided to the tenants will be required.
- 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.
- Except for Risk-Sharing loans, KHC funds may not be used to pay any fees, interest, loan balances, or other amounts due to KHC, unless otherwise approved by KHC.

### *HOME Investment Partnerships (HOME) Program*

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**HOME funding is considered gap financing only.** Applications requesting the entire development cost in HOME funds will be considered only as a last resort.

- Eligible applicants for HOME funds are nonprofit and for-profit entities.
- All HOME-funded projects are subject to all requirements of the [HOME Final Rule](#), as amended, at [24 CFR, Part 92](#).
- The following local jurisdictions receive a direct allocation of HOME funds. Projects located in these areas are not eligible to apply for KHC-administered state HOME funds and should apply to the applicable local jurisdiction for HOME funds.
  - City of Owensboro
  - Merged governments of Lexington/Fayette County
  - Merged governments of Louisville/Jefferson County
  - The consortium of the cities of Bellevue, Covington, Dayton, Erlanger, Ludlow, and Newport.
- **HOME projects must be completed within the timeframes outlined in the funding agreement.**
- HOME rental units must be leased in a timely manner, within 3 to 6 months of project completion. If the HOME units are not leased within this timeframe, the project owner and/or management agent will be required to provide documentation of their marketing efforts to lease the units. Per a HUD mandate, **any HOME units not leased after 18 months will be subject to termination and repayment of all HOME funds invested.**
- Eligible rental activities are limited to new construction, acquisition with new construction, acquisition with rehabilitation, and rehabilitation of existing rental units.
- All HOME-assisted housing must meet KHC, state, and local standards, and the applicable property standards at 24 CFR, 92.251.
- HOME funds can be used for construction and permanent mortgage loans. Refinancing or acquisition only are ineligible uses.

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- **HOME funds may not be used to fund replacement reserves, operating deficit reserves, administration costs, stand-alone community buildings, or off-site project costs.** HOME funds shall be used for eligible soft costs and/or construction costs only, including developer fees, which are capped at current KHC limits.
- The minimum affordability period requirements for the HOME program are as follows.
  - Rehabilitation < \$15,000 per HOME unit                      5 years
  - Rehabilitation > \$15,000 - \$40,000 per HOME unit        10 years
  - Rehabilitation > \$40,000 per HOME unit                      15 years
  - New construction or acquisition                                    20 years
- 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](#).
- **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

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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 provide a minimum of 5% HOME-eligible match of the total HOME funds requested. Match information can be found in [Chapter 11: 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.

<b>Example:</b>	<i>HOME amount requested:</i>	<i>\$300,000</i>
	<i>Divided by total project cost:</i>	<i>+ \$2,000,000</i>
	<i>HOME percentage:</i>	<i>15%</i>
	 <i>Total rental units</i>	 <i>30 units</i>
	<i>HOME percentage:</i>	<i>x 15%</i>
	<i>HOME units:</i>	<i>= 5 (4.5, but always round up)</i>

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

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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:

*30 total units: 1-BR units = 12; 3-BR units = 18*

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

*12 X 15% = 1.8, therefore two (2) 1-BR units  
18 X 15% = 2.7, 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.

**Example:**

<i>HOME subsidy limit:</i>	<i>1-BR</i>	<i>\$161,738</i>
	<i>3-BR</i>	<i>\$254,431</i>
<i>Requested HOME loan:</i>		<i>\$300,000</i>

**Project located in Frankfort**

<i>2 (1BR) units X \$161,738 =</i>	<i>\$323,476</i>
<i>3 (3BR) units X \$254,431 =</i>	<i>\$763,293</i>
<i>Total allowable subsidy</i>	<i>\$1,086,769</i>

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 a 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 provide 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 provide evidence that the finding has been corrected or is being corrected.
- Each HOME unit must remain in compliance with HQS throughout the affordability period. HQS guidelines are outlined in 24 CFR § 982.401. 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 percent of all HOME-assisted rental units serve households at or below 60 percent of the AMI at the time the family moves in. If more than five units are assisted with HOME funds, 80 percent of the units must be reserved for households at or below 60 percent of the AMI and charged the high HOME rent or Fair Market Rent (FMR), whichever is less. The other 20 percent of the units must be reserved for households at or below 50 percent of

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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 provide 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**

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**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](#).

### *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 defined by the U.S. Department of Agriculture Rural Development (RD). Applicants can determine if the property is in a rural area by accessing the [RD Property Eligibility Site](#), "Multi Family Housing" and then enter the property address.
- 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 KHC's website, [www.kyhousing.org](http://www.kyhousing.org).
- 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.

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### 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 percent of the total AHTF award for the project.
- Interest rates are flexible and start at zero percent. 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 percent should be projected, and for projects of 12 units or more, a 7 percent vacancy rate should be projected.

### AHTF Compliance Requirements

- If a project is receiving AHTF only, 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 percent of a household's monthly income). The Section 8 method for verifying income is not required for AHTF-only projects, but the same verification method must be used for all tenants.
- If the legal documents between KHC and the project owner require annual financial statements, the project would be required to submit compiled annual financial statements within 120 days after the end of the project's fiscal year. These statements must be prepared by a third-party certified public accountant and sent to KHC's Asset Management and Compliance Department. Failure to submit the required annual financial statements will be considered by KHC in future funding proposals.
- Owners must provide periodic reports as required by KHC.

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

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- Eligible applicants may be nonprofit organizations, for-profit entities, and units of local government.
- SMAL can be used for construction loans and/or permanent mortgage loans. Interest rates are the same for both construction and permanent financing.
- Projects cannot exceed 11 units. The total number of units on contiguous lots may not exceed 11 units.
- Eligible rental activities are new construction, substantial rehabilitation, acquisition/new construction, and acquisition with rehabilitation.
- SMAL funds cannot be used for refinancing.
- Eligible households must have incomes at or below 120 percent of the Section 8 area median income (AMI) limits.
- Rents for the project should not exceed the lesser of the SMAL rent limit, the project area's market rent, or 30 percent of the income level of the targeted population.
- SMAL funds must be combined with KHC HOME or AHTF funds.

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- 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 percent loan-to-value or the loan amount supported by a 1.20 DCR in year one (whichever is lower). The DCR must remain at or above a 1.0 throughout the affordability period.
- Applicants may not request an interest rate lower than 3.5 percent. 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 percent of the mortgage amount to be paid at closing.
- The vacancy rate for this program will be projected at 10 percent.
- 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
	<b>SMAL Percentage:</b>	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 provide 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 percent of the risk with HUD. As a Level II participant, KHC would share in 25 percent of the risk with HUD.

Requirements for the Risk-Sharing program are:

- 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 percent or more of the units must be both rent-restricted and occupied by persons whose income is 50 percent or less of the [AMI as determined by HUD](#), with adjustments for household size; or
  - 40 percent or more of the units must be both rent-restricted and occupied by persons whose income is 60 percent or less of the [AMI as determined by HUD](#), with adjustments for household size.
- "Rent-restricted" means that gross rent for a unit does not exceed 30 percent of the imputed limitation applicable to such unit.
  - Because the Risk-Sharing Program does not have 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.

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- 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 percent 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 percent should be projected and for projects of 12 units or more, a 7 percent vacancy rate should be used.
- Risk-Sharing funds may not be used to pay any portion of the developer fee.
- A monthly Mortgage Insurance Premium (MIP) of 0.5 percent 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.**

### 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 11: Underwriting Requirements

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### *Requirements for Underwriting*

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

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.
2. KHC amortizing, permanent loans shall have monthly debt service payments. HOME, NHTF, and AHTF loans do not accrue interest during the construction period.
3. SMAL and Risk-Sharing loans will be amortizing loans.
4. HOME, NHTF, and AHTF loans may be structured as amortizing or deferred, due-at-maturity.
5. Forgivable HOME, NHTF, or AHTF loans will only be considered for projects with nonprofit owners that demonstrate the need for such a loan and cannot support any debt service.
6. KHC funds 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 percent for all permanent loans, as determined in the appraisal.
8. To ensure that governmental assistance is provided only in an amount to make the project financially viable, 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). Refer to the [Subsidy Layering Review](#) section for more information.
9. The construction contingency may not exceed 10 percent of total construction hard costs, excluding property acquisition. Applicants not requesting a contingency must explain the rationale and is responsible for the cost of any change orders occurring during construction. For new construction projects, contingency should always be less than 10 percent (in most cases, less than 5 percent). For rehabilitation projects, the contingency should generally be minimized by in-depth studies and evaluations that should be conducted as part of the developer's due diligence in preparing the application.
10. **The construction contingency is set aside for unforeseen cost overruns.** To draw contingency funds, a change order must be prepared and approved by both the inspector and plan reviewer at the time the change is deemed necessary. Change orders submitted after the work is complete will not be approved. KHC will recapture any unused contingency funds and modify the loan documents accordingly. **Soft cost contingencies are not allowed.**
11. The required DCR in year one must be a minimum of 1.20, except for Risk-Sharing projects which must achieve a minimum 1.25 DCR in year one. **All projects must maintain a DCR of 1.10 or greater 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 provide its 15-year proforma. **Projects requesting KHC funds must maintain positive cash flow (1.0 or greater) through the applicable term of affordability.**

12. All projects with declining cash flows and DCRs that are approaching a DCR of 1.10 in or before year 15 must provide an explanation and documentation that sufficient funds will be available to support and maintain the project for a minimum of 15 years.
13. For all Housing Credit projects, the maximum amount of credit for which the project is eligible is the lesser of the equity gap test, the credit per unit test, or the qualified basis test, as calculated on the "Housing Credit" tab of the KHC underwriting model.
14. Housing Credit projects proposing a qualified Community Service Facility (CSF) must be located in a Qualified Census Tract (QCT). The eligible basis attributable to the CSF cannot exceed 25 percent of the project's total eligible basis (without any basis boost) and the total project development cost cannot exceed \$15 million. The costs associated with the CSF must be itemized on a separate uses statement contained within KHC's underwriting model and those costs will not be considered in the cost containment calculation.
15. Projects containing commercial space must itemize the associated commercial space costs on a separate uses statement contained within 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.
16. Applicants must allocate any project-related fees or soft costs associated with a CSF or commercial space on a pro-rata basis, or the actual amount of the soft cost, if it is specific to the space. A disproportionate share of fees and soft costs may not be allocated to the CSF or commercial space for the purposes of adhering to the cost containment limits.
17. KHC has published historical operating expense data by county for projects in KHC's portfolio. 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 provide 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. Applicants must enter the county utilized and the amount of the most current historical expense data, excluding utilities, on the expenses page of the underwriting model. The operating expense database is located on KHC's website, [www.kyhousing.org](http://www.kyhousing.org).
18. Management fees should be comparable to market fees and should not exceed 8.5 percent of effective gross income. Smaller projects and/or special needs projects, which may require a fee higher than 8.5%, must provide justification for the higher percentage and receive approval from KHC.

### *Housing Credit Per-Unit Limits*

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The maximum annual Housing Credit allocation for all projects, excluding Tax-Exempt Bond projects with 4% Housing Credit, cannot exceed the amount as determined by the per-unit limit calculation.

#### **Urban Areas**

The Housing Credit allocation for projects located in urban areas will be limited to **\$15,000** per Housing Credit unit except for projects located in **QCTs** or **DDAs**, as designated by the secretary of the U.S. Department of Housing and Urban Development; Choice Neighborhoods; historic/adaptive reuse projects; new construction projects located in areas of opportunity; or projects located in areas defined by KHC as needing an increase in basis, which will be limited to **\$19,500** per Housing Credit unit.

**Rural Areas (Any area outside of the urban areas as defined by RD is considered rural)**

The Housing Credit allocation for projects located in rural areas will be limited to \$17,000 per Housing Credit unit except for projects located in QCTs or DDAs, as designated by the U.S. Department of Housing and Urban Development; historic/adaptive reuse projects; projects located in the Promise Zone counties (Bell, Clay, Harlan, Knox, Leslie, Letcher, Perry and part of Whitley); or projects located in areas defined by KHC as needing an increase in basis, which will be limited to \$22,000 per Housing Credit unit.

**Rural Area Example:** Subsidy limit: \$17,000  
\$22,000 (if in a DDA, QCT, or other KHC-defined area)  
40 total units, not in any of the bonus areas  
40 x \$17,000 = \$680,000

*Housing Credit Limit with 130 Percent Basis Boost*

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**Modifications to Definition of Eligible Basis (130 Percent Rule, Qualified Census Tract, Difficult Development Area and Areas Defined by KHC)**

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 percent or more of the households are at-or-below 60 percent of the area median income, as well as census tracts with a poverty rate of 25 percent or higher.

The Housing and Economic Recovery Act of 2008, H.R. 3221 (HERA), provides state Housing Credit agencies the ability to enhance the credit to any building as needed to be financially feasible.

KHC will allocate and underwrite Housing Credits at the fixed 9.00% and 4.00% credit rates. All 9 percent Housing Credits projects are eligible for the 30 percent basis boost as deemed necessary in the sole discretion of KHC. However, Tax-Exempt Bond projects with 4 percent Housing Credits must be located 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 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 Community Service Facility (CSF) is a space that can be used for purposes to improve the quality of life for community residents including, but not limited to, child daycare, senior programs, and job training provided such services are appropriate and helpful to low-income individuals in the project area. A CSF is defined as a facility to primarily serve low-income individuals in the community whose income is 60 percent 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 percent or less of area median income.

Housing Credit projects utilizing a CSF described under IRS Revenue Ruling 2003-77 may be entitled to include the costs associated with a CSF in the calculation of the project's total eligible basis. The Housing and Economic Recovery Act of 2008 increased the percentage of the CSF eligible basis with respect to which the Low-Income Housing Tax Credit may be claimed. 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 located in a QCT. The eligible basis attributable to the CSF cannot exceed 25 percent of the project's total eligible basis (without any basis boost), and the total project development cost cannot exceed \$15 million. The costs associated with the CSF must be broken out on a separate Uses Statement within KHC's underwriting model and those costs will not be considered when ensuring a project is within KHC's cost containment limits. This provision is limited to buildings located in QCTs only.

### *HOME & AHTF Match*

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

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

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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.

Refer to HUD CPD Notice 97-03 for more detailed information.

In unique circumstances, 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. Refer to the Compliance Checks tab of the underwriting model for additional subsidy layering requirements.

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 provide to KHC a copy of HUD's approval to enter into the AHAP. **Please note, KHC will not submit the SLR to HUD until final underwriting has been approved.**

#### *Market Studies*

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

The market study/needs analysis will be reviewed to determine if a need exists in the proposed market area for the number of units and the unit configuration. This need must exist without adversely affecting other affordable housing in the same market area.

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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. Market analysts submitting a report that materially fails to comply with KHC's requirements or is otherwise unacceptable may, at the sole discretion of KHC, be removed from the list.

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

Applicants/developers will enter into a contract for services directly with the market analyst and, except for questions about KHC standards and/or requirements, the applicant/developer shall be responsible for handling all issues related to the market analysis, including negotiating the price of the contracted work. Although the applicant/developer is responsible for engaging the market analyst, the report shall identify KHC as the intended user to provide KHC a basis for investment and loan underwriting decisions.

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

The market study must provide the required information for the scoring categories applicable to the project 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 (including due at maturity and forgivable loans) is \$250,000 or more. KHC may request an appraisal on any project utilizing KHC funds. Appraisals must identify KHC as the intended user and adhere to KHC's appraisal requirements, including 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. 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.

An appraisal is only valid for one year from the date of the appraisal. All appraisals must adhere to KHC's appraisal requirements. Appraisers submitting a report that materially fails to comply with KHC's requirements or is otherwise unacceptable may, at the sole discretion of KHC, be removed from the list.

Housing Credit projects requesting acquisition credit must provide an appraisal with the "as-is" market value of the building to support the building basis, and a separate site value for the land. Appraisals for Housing Credit only projects (no KHC funds) do not need to meet KHC's appraisal guidelines in regard to formatting and layout or need to be ordered from a KHC-approved appraiser; however, the appraisal must provide a separate value for the land and name KHC as an intended user. Any variations from KHC's underwriting standards used in the appraisal must be approved by KHC during the application stage. If a second appraisal is obtained for another funder, KHC must receive a copy of the second appraisal for comparison. The developer will need to have large discrepancies addressed by both appraisers.

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## Cost Containment

KHC has adopted cost containment guidelines to evaluate the total development cost for all projects. The applicable cost containment limits must be entered in the underwriting model.

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.

**Note:** 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

All fees must be within KHC's limits. It is the owner's responsibility to ensure that construction contracts are written in such a way that the maximum fee limits are not exceeded under any circumstances.

Maximum allowable fees are based on total hard cost, less contingency, general requirements, builder's overhead, and builder's profit, and are calculated as follows:

- **General requirements equals:**

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

Construction management fees are part of General Requirements and must be included with general requirements and cannot exceed the general requirement percentage.

- **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%

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## Developer Fee

The allowable developer fee for 9 percent 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.**

	New Construction	Rehabilitation	Adaptive Reuse/ Historic Rehabilitation
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 percent of the total development cost per property, minus the following deductions:

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

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

### Deferred Developer Fee

KHC is currently not requiring applicants to defer any developer fee to request KHC HOME, NHTF, or AHTF funds; however, KHC reserves the right to reinstate this policy in future funding rounds.

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 ten years of operation, except for Tax-Exempt Bond transactions which may extend the repayment term to the full 15 years allowed by the IRS. The pro forma of KHC's underwriting model will calculate the amount of deferred developer fee to be repaid each year from available project cash flow. Any amount not repaid at the end of the tenth year must be deducted from the project's eligible basis. KHC may consider, on a case-by-case basis, allowing 9% tax credit projects to extend the repayment period for deferred developer fee up to the maximum 15 years allowed by the IRS; however, the applicant must seek a waiver for this exception prior to application submission.

### Reserve for Replacement (R4R)

All applicants are required to 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 shall increase at 3 percent 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, at a minimum, be positive at the beginning of the 15<sup>th</sup> year. Projects requesting Housing Credit only may be allowed a lower minimum R4R per unit amount as described above. Risk-Sharing projects will be evaluated on a case-by-case basis due to higher risk levels.

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 that is being requested. 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 HOME, NHTF, AHTF or other loan(s). R4R accounts held by other entities (equity investor or superior lien holder) must be assigned to KHC when the holder no longer has a security interest in the project. For Housing Credit projects, a R4R account not being maintained by KHC must be assigned to KHC at the end of the IRS fifteen (15) year compliance period.

All Housing Credit projects that also have KHC financing will be required to 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 purpose of the ODR is to ensure that adequate funds are on hand should operating costs exceed the project's ability to pay them. In addition to being a safeguard during the initial lease-up phase, the ODR is vital to ensuring the long-term financial stability of the project by increasing the project's ability to absorb or respond to temporary changes in circumstances, such as the unanticipated event of significant unbudgeted increases in operating expenses and/or losses in operating revenues.

KHC calculates the minimum ODR requirement as follows: six (6) months of debt service payments + six (6) months of projected operating expenses = minimum Operating Deficit Reserve required.

**Projects with KHC loan funds must fully fund the reserve account at the greater of KHC's amount or as required by another lender or equity provider no later than the first day of the month following the project's placed-in-service date.**

KHC may waive or modify the ODR requirement on a case-by-case basis.

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

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**For ODR escrows held by KHC:** During the first two years, the ODR must maintain a minimum balance of 75 percent 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 required balance after the initial two years and will remain in place for the life of the loan, available for eligible disbursements, as needed.

If KHC is financing the ODR, the full amount 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. KHC resources may be used in conjunction with a project that includes acquisition and/or rehabilitation of commercial space by prorating the residential square footage to the commercial space square footage. Any project with commercial space must separate the commercial space costs from the residential costs within the KHC underwriting model. If there is commercial space within a project, the commercial space must be deeded separately as a condominium regime or structured as a master lease arrangement.

### *Average Income Test (AIT)*

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The average income test (AIT) is a minimum set-aside election under Section 42 of the Internal Revenue Code as authorized by the Consolidated Appropriations Act of 2018. Instead of electing the 20/50 or 40/60 minimum set-aside, an owner may instead 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.

- Only properties funded under the 2019-2020 QAP or later are eligible to elect the average income set-aside.
- 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.
- All of the units must be affordable to and occupied by persons earning 80% AMI or less. At least 50% of all units must be affordable to and occupied by persons earning 60% AMI or less.
- The average of the imputed income limitations designated cannot exceed 60% AMI.
- 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.
- Any clear 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 an 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.
- KHC's Average Income Test (AIT) policies are subject to change as additional guidance is made available by the IRS.
- Refer to KHC's [Average Income Test Compliance policy](#) for additional information.

## CHAPTER 12: 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 requirements of the **Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970** (49 CFR, Part 24 and 42 U.S.C. 4201-4655). KHC requires certain documentation to ensure compliance. Owners of projects with current tenants (regardless of whether or not the tenants will be relocated) must submit a relocation plan and provide 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 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.

When developing the project's relocation plan, following are considerations that should be addressed (not all-inclusive; KHC may request revisions to the plan):

- 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 percent 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 the following information:

1. Updated underwriting model
2. Justification for the gap

KHC may consider awarding additional loan funds for gaps identified during construction upon receipt of the following information:

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

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

### *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. The [Suspension and Debarment Policy](#) is published on KHC's website at [www.kyhousing.org](http://www.kyhousing.org).

### *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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*(All funding sources – refer to individual program requirements for additional compliance requirements)*

All KHC-assisted projects are required to meet compliance requirements throughout the affordability period. KHC will conduct compliance reviews and will inspect all projects at least every three years. These reviews shall consist of rent restrictions, income restrictions, property conditions, and pledges made in the original application, extended use agreement (if applicable), the HOME and/or NHTF funding agreement (if applicable), and the commitment letter.

KHC will notify the entity, in advance, when inspections will be scheduled. The entity or management agent should adhere to the following to eliminate any possibilities of non-compliance:

- Tenants must be given at least 30 days written notice before increases are implemented. Any increases are also subject to other provisions of the lease agreements. For example, rents

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may not increase until the tenant's lease expires. Documentation of increases must be kept in the tenant's file.

- Owners/Management companies must include the following in the tenant files.
  - ✓ **Rental Application:** The rental application or income survey form used to gather information about household income, composition, and student status.
  - ✓ **Evidence of household eligibility:** Such documentation may vary depending upon the funding source(s) in the project.
  - ✓ **Lease:** The lease must be signed by both parties, and document 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.
- KHC reserves the right to inspect each development for compliance with HQS throughout the term of the loan and Labor Uniform Physical Condition Standards.
- Any development using several sources of financing may have additional compliance requirements. Refer to program specifics for additional compliance requirements.

### *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

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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 13: Design and Construction Review

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### *Preliminary Plans – Minimum Requirements*

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Developers must provide 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.
- Provide overall exterior building dimensions and show the different unit types that exist in each building.
- Show all adjacent walks, stoops, and/or patios.
- Show location of all party and firewalls.
- Wall thickness, exterior finishes, doors, windows, cabinets, plumbing fixtures, closets, etc.
- Complete dimension of each typical unit so room sizes can be determined.

#### **Wall Detail**

- Foundation-to-roof wall detail showing *REScheck* values must be included.

#### **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.*

### *Final Plans – Minimum Requirements*

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Developers must provide final building plans at technical submission via the UFA system. Following are the minimum requirements:

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

**For projects with 11 units or less**

The construction plans must contain:

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

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

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

During the technical submission stage, 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.

**All pages must be included in order, under one single attachment.**

**Earthwork Plans**

*(Required for projects of 12 units or more)*

Information requirements for earthwork and grading plans:

- Grading contours existing and new at 2-foot intervals, unless the grade is too steep and it is not feasible.
- Storm drainage piping with manholes, headwalls, and retention areas, or any other miscellaneous structures. Should show top of structure elevation as well as invert elevation.
- Show slopes greater than 3:1 with ground cover.

- Show location of soil boring test, if they apply.
- All finish grade work at buildings shall be a minimum of 8 inches below finish floor elevation and slope away from the building a minimum of 6 inches over a 10-foot run.
- If retaining walls are required, they should be shown and provide a top of wall spot elevation and adjacent grade elevation.
- Walls, curb cuts, access ramps, dumpster pads, etc., must be shown on plans.

#### **Site Utility Plan**

*(Required for all projects, 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. Provide a plan for each different building type.
- Indication of all exterior and interior walls and the thickness of the walls.
- All rooms labeled to indicate their use.
- Dimensions applied to drawings to indicate room size. Indicate on the plans if dimensions are to face of stud, center of stud, or to finish face.
- All window and door openings with door swings and a reference to a door and window schedule.
- Exterior wall finishes and section and plan details for each type of wall construction.
- Kitchen cabinets, plumbing fixtures, and bathroom accessories. Larger scale plans may be required to properly indicate these.
- 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.

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- Provide windows in bedroom and living rooms that meet egress and emergency escape requirements in the Kentucky Building Code and/or Kentucky Residential Code, and HQS.

#### **Plumbing Drawings**

*(Required for all project types)*

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

- Drawings shall show plumbing supply lines and indicate size of pipe.
- Plumbing waste line and indicate size of pipe and direction of flow.
- Legends shall be 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 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 should be shown, with an indicator for North.
- A site detail must be shown on the plan or on a separate site detail sheet. Details should describe the type of walks, curbs, handicapped parking, etc.

## Final Specifications

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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 final specifications in conjunction with the final plans. If changes occur during the review of the final plans that may cause a change in the specifications, the developer will be notified of any additional changes or corrections that 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. Any previous review comments during the application stage shall be corrected and incorporated into the final specifications. Final specifications must address the issues identified in the Physical/Capital Needs Assessment if applicable for rehabilitation projects, and include all documents that pertain to the construction contract.

The specifications must include the following **23 divisions**:

Division 01: General Requirements	Division 13: Special Construction
Division 02: Existing Conditions	Division 14: Conveying Equipment
Division 03: Concrete	Division 21: Fire Suppression
Division 04: Masonry	Division 22: Plumbing
Division 05: Metals	Division 23: HVAC
Division 06: Carpentry	Division 26: Electrical
Division 07: Thermal & Moisture Protection	Division 27: Communications

Division 08: Door & Windows

Division 09: Finishes

Division 10: Specialties

Division 11: Equipment

Division 12: Furnishings

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*

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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.

If commercial space is involved, all costs associated with it must be itemized separately. Any work required for both commercial and rental shall be prorated on a square-foot basis. For example, if a new roof is installed on a two-story building, where the first floor is commercial and the second floor is rental, and both floors have the same square footage, then 1/2 of the roof cost should be attributed to the commercial space. If the square footage is different, it should be calculated as a percentage of the total.

#### **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 projects receiving KHC financing equal to 10 percent or more of the total project cost and for **all** Housing Credit projects, for the **purpose of constructing or reconstructing single-family or multifamily housing**, except for rehabilitation projects.

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

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

The goal of universal design is to build housing that meets the needs of the greatest portion of a community's population. It differs from accessible design, which is primarily intended to meet the needs of persons with disabilities, but is inclusive of adaptable design as it strives to incorporate structural features that will allow a residence to be adapted to an individual's needs. The 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 to be used as a guideline to meet and exceed all local, state, and national building codes. These standards also provide a way to enforce above-average construction and design for builders, contractors, and design professionals who wish to utilize KHC funding.

Minimum Design Standards apply when KHC funding exceeds 10 percent or more of the cost per unit for all new construction and reconstruction of multifamily dwellings, all projects involving adaptive reuse converting a former use to residential use, and limited rehabilitation projects. "KHC funding" is all resources allocated by KHC to a project, including HOME Investment Partnerships Program (HOME), Affordable Housing Trust Fund (AHTF), Small Multifamily Affordable Loan (SMAL) program, Low-Income Housing Tax Credits, and Tax-Exempt Bonds.

Other methods of construction and design may be acceptable on a case-by-case basis. 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 percent of the total units or more **must** be accessible to persons with mobility impairments **and** 2 percent of the units (minimum of one unit) **must** be accessible to persons with visual and/or hearing impairments. These accessible units must comply 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 percent or more of the replacement cost of the completed facility, then 5 percent of the total units or one unit must be accessible to persons with mobility impairments **and** 2 percent of the units or one unit must be accessible to persons with visual or hearing impairments.

## *Fair Housing Design Requirements*

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Fair Housing design requirements apply to new construction and all rehabilitation units occupied after March 13, 1991. Developments must comply with all requirements of the Fair Housing Accessibility Requirements of the Fair Housing Act. For more information about Fair Housing Accessibility, visit the Fair Housing First website at [www.fairhousingfirst.org](http://www.fairhousingfirst.org).

## *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.

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

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A PCNA is a written report performed by a qualified inspector for the rehabilitation of an existing structure into housing units. The PCNA defines the necessary repairs required to provide safe, quality, and affordable housing. 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.

All rehabilitation projects of **12 or more units and** total KHC funding of \$250,000 or more must submit a PCNA as an attachment to the application. **All applications requesting Housing Credit and/or Tax-Exempt bonds for rehabilitation and adaptive reuse must submit a PCNA, regardless of project size.**

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

### **Physical/Capital Needs Inspector Qualifications:**

- All inspectors and/or firms must be insured as directed by KHC.
- Inspectors must be experienced and possess sufficient background inspecting multifamily residential housing.

- Inspectors shall be licensed architects and/or engineers qualified to complete the assessment. The inspector may also consult with structural, mechanical, or electrical engineers to provide expert opinions as to the existing condition of a particular item. Outside consultants employed shall also meet all the requirements as set forth for an inspector including insurance. **Documentation showing licenses, qualifications, and experience must be included in the PCNA or submitted as a separate attachment.**
- 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:**

*(These specific items must be addressed in each report)*

- The report shall describe, in detail, all rehabilitation work required including all respective related additional work. Separate estimates for both must be provided.
- A minimum of 25 percent of all units and at least one of each type must be inspected prior to preparation of the report.
- A cost estimate of all the repairs and/or replacements must be included.
- All 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.
- Provide a report on all existing conditions or items in violation of applicable building codes, federal and/or state accessibility standards, and/or local ordinances. Corrective measures required to bring all items into compliance must be thoroughly detailed.
- Any visible evidence of hazardous substances, including but not limited to: asbestos containing material, lead-based paint, petroleum bulk storage, polychlorinated biphenyls, and chlorofluorocarbons, must be noted.
- Cost estimates for any items requiring action due to market demand. These will be provided to the inspector by the appraiser or KHC.
- Deferred maintenance not performed on a normal operating basis, including estimates of corrective costs.
- Any repairs needed to nonresidential buildings such as community buildings, management offices, garages, etc.
- Inspectors shall propose a total price to the applicant that will include all costs, including but not limited to: travel, clerical, inspection services, attending meetings at KHC (if applicable), etc.
- In preparing the report, the inspector may choose to utilize the Inspection Form HUD-52580-A. 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 provide 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 final review of the technical submission documents and underwriting should be completed prior to the pre-construction conference being scheduled. **The developer is responsible to contact the appropriate KHC construction specialist 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 request for the meeting to determine if the project is ready for the pre-construction conference.

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 construction specialist in conjunction with the program specialist assigned to the project.

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. The decision to hold a full or limited pre-construction conference will be at the discretion of KHC's construction specialist and project specialist. Dependent on the type of project and the developer's experience with KHC, the pre-construction conference will occur either 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/applicant, contractor, site superintendent, and architect (if applicable) should attend. The following topics will be discussed:

- Construction inspection schedule
- Final cost estimate
- Requirements for safety fencing
- Requirements for job safety
- Project signage requirements
- Davis-Bacon wage rates, if applicable
- Draw request process
- Change order process
- The duties and responsibilities of the owner, architect, and contractor
- 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 provide 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 provide 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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In **rare, unique circumstances**, KHC may consider, on a case-by-case basis, 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 the early start fees outlined in Chapter 1.

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.

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

- 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.

KHC's construction specialist will send the owner an inspection report for each visit detailing the project status and any issues noted during the inspection. The owner is responsible for ensuring all issues and deficiencies are corrected. KHC may conduct a pre-8609 inspection to confirm pledged amenities and/or other non-construction related attributes.

**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. KHC will not pay for materials stored off-site. KHC will disburse funds for materials stored on-site if they are insured, invoiced, properly stored, and secure. Draws are limited to one draw per month and must be signed by a KHC Construction Specialist.

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

KHC will disburse up to 40 percent of the developer fee up front and the remaining 60 percent on a percentage basis in line with the percent of work completed. Construction contingency funds will not be disbursed unless change orders have been approved by KHC. KHC will retain 10 percent of the total of all KHC funds until final inspection is complete and all final documents are received and approved.

## 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. 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.
3. Projects that contain commercial space must submit a separate itemization with any draw request containing commercial space costs. **No KHC resources may be used for reimbursement of commercial space costs.**
4. Each project is limited to one draw request per month.
5. 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.
6. A pre-construction conference must be held prior to the start of any construction activities.
7. KHC construction specialists must approve all construction draw requests. After the draw is submitted, the construction specialist will review all hard costs and may revise amounts based on current inspections. KHC program staff will review all requests for soft costs.
8. 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).

The title endorsement and all updates must 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."*

**The title endorsement must reference the policy number and the names of the borrower and insured party.**

## 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.

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## 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. **Change orders submitted after completion of the work to be changed will not be approved, unless prior authorization is given by KHC in writing.** If KHC's Construction Specialist is unable to review the work at the time of the change, or the change order is held and submitted at the end of construction, the change order may not be approved. Change orders must be signed by the construction specialist before submittal to KHC for approval.

Change orders that include costs for commercial space must provide a separate itemization of change order costs for the commercial space, or a percentage of the cost attributed to the commercial space for items shared by both residential and commercial areas (e.g., roof).

KHC will not approve draws requesting contingency funds until it has approved the change order. **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

- Change Orders must be submitted at the time the change is needed. The owner/developer must notify the assigned KHC Construction Specialist as soon as possible to schedule an inspection of any areas pertaining 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.).
- After receiving the request, the Construction Specialist will review the change order for appropriateness to the project scope, necessity and cost, and then approve or deny the request. If approved, the Construction Specialist will forward it to a member of KHC management for final approval. If not approved, the request will be returned to the developer's designated contact and/or person who submitted the request with the reason/s for denial stated.
- Once final approval is achieved, the assigned KHC Multifamily Project Specialist will be notified of the approval and will then provide a copy of the approved Change Order to the developer.
- If the project involves a draw request, KHC funds cannot be drawn to pay for change orders which have not been approved or which have been denied. When reviewing the draw request, the Construction Specialist will verify the percentage of completion for the project, as well as the percentage being drawn against approved change order request.

## CHAPTER 14: Basic Terms

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

**Development Team:** Developer, Co-Developer, Consultant, and/or Management Company of the project.

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

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

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

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

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

**Matching Funds:** A minimum of 5% of non-KHC funds provided by the applicant as a match to KHC's HOME and/or AHTF funds. Eligible match sources are described in [Chapter 11: Underwriting Requirements](#).

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

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

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

**Mortgage Insurance Premium:** The insurance required to be paid annually for developments utilizing HUD insurance, as required in the Risk-Sharing program.

**Notice of Funding Availability (NOFA):** KHC will periodically publish a NOFA to allocate resources outside of a competitive funding round, typically in conjunction with tax-exempt bonds or for non-housing credit projects.

**Operating Deficit Reserve Account (Rent-Up Reserve):** Funds set aside in a reserve account to cover operating deficits until the project reaches sustaining occupancy. KHC calculates this reserve during the underwriting stage and must be, at a minimum, sufficient to cover six months of operating expenses and debt service. Refer to KHC's ODR policy in [Chapter 11](#) of this manual.

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

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

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

**Preservation:** (Minor rehabilitation is NOT included.) Maintaining existing units or the integrity of the original existing unit, as closely as possible. Can include the relocation of certain walls or major components, such as plumbing or electrical systems. However, the existing shell of the building must be maintained. This can include the reduction of units to update or modernize to meet current market needs.

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

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

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

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

**Section 3:** Section 3 of the Housing and Urban Development Act of 1968 is a regulation governing HUD programs to ensure that employment and other economic opportunities generated by certain HUD assistance goes, to the greatest extent feasible, to low- and very low-income persons and businesses. This includes employment and training opportunities, as well as contracts with businesses. The updated Section 3 Final Rule is codified at 24 CFR, Part 75 and became effective November 30, 2020.

**Section 3 Business Concern:** A business that meets one of the following criteria:

1. At least 51% owned and controlled by low-income or very low-income persons;
2. Over 75% of labor hours performed for the business are performed by Section 3 workers; or
3. At least 51% owned and controlled by current residents of public housing or Section 8 assisted housing.

**Section 3 Worker:** Any worker who is low- or very low-income, as established by HUD income limits; employed by a Section business concern, or a YouthBuild participant. A "targeted" Section 3 worker is:

- A worker employed by a Section 3 business concern;
- Low- and very low-income workers residing within the neighborhood or service area of the project (defined as within a one-mile radius of the project site, or if fewer than 5,000 people, a radius from the project which contains 5,000 people); or
- YouthBuild participants.

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

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

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

**Subsidy Layering Review:** A review required when a development combines Housing Credits with other governmental assistance, including the HOME and NHTF programs, or project-based Section 8 vouchers.

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

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

**Universal Funding Application (UFA):** KHC's online application system which is used for all applications seeking KHC funds. The UFA system is also used as a portal for submission of required documents throughout the life of a project.

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

