

## Grantee Unique Appendices

### **HOME Homebuyer Development Program Recapture/Resale Provisions**

#### *Kentucky Housing Corporation*

As the HOME Investment Partnerships grantee for the Commonwealth of Kentucky, Kentucky Housing Corporation (KHC) requires developers awarded under the competitive funding process for homebuyer development to utilize recapture provisions specified by 24 CFR 92.254(a)(5)(ii)(B)(2) - Reduction During the Affordability Period. The recapture provisions will be used recoup all or a portion of the HOME assistance provided to the homebuyers if the assisted housing does not continue to be the principal residence of the purchasing family for the duration of the period of affordability.

KHC will also allow recipient developers to request resale of properties acquired through foreclosure that were previously developed with HOME funds that remain in their initial periods of affordability established by 24 CFR 92.254(a)(4). Such resales must be requested and approved using KHC's waiver processes and use the appraisal formula established by 24 CFR 92.254(a)(5)(i)(A)(2) to determine the sales price.

#### *Recapture*

HOME homebuyer development funds are administered by recipient developers statewide. All recipient developers receiving an allocation of HOME funds to undertake homebuyer activities will be required to utilize the recapture provision as specified by 24 CFR 92.254(a)(5)(ii)(B)(2) - Reduction During the Affordability Period. This provision will be enforced by including appropriate language in the HOME written agreement with the homebuyer and mortgage documents. The initial homebuyer(s) must reside in the home as their principal residence for the duration of the period of affordability established by 24 CFR 92.254(a)(4). Recipient developers will advise clients prior to committing HOME funds that recapture provisions will apply.

In the event the homebuyer transfers the property, either voluntarily or involuntarily, during the period of affordability, KHC or the recipient 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: downpayment and closing cost assistance, interest subsidies, and 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 recipient 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 determine the amount to be recaptured on a pro-rata basis:

- 1) *Divide the total amount of direct HOME assistance originally provided to the homebuyer by the number of years in the period of affordability.*
- 2) *Multiply this result by the number of years the homebuyer occupied the property to determine the amount to be forgiven.*
- 3) *Subtract the amount to be forgiven from the total amount of direct HOME assistance originally provided to the homebuyer to determine the amount to be recaptured.*

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 HOME INVESTMENT PARTNERSHIP PROGRAM SINGLE FAMILY DEVELOPER WRITTEN AGREEMENT, which KHC executes with each recipient developer, contains the following language:

**3.1 Affordability Requirements**

*The Project must comply with all requirements of 24 C.F.R. § 92.254, in particular requiring the HOME-assisted units be sold exclusively to income-eligible low-income buyers as further outlined herein. Buyers must take fee simple title to the property and occupy the unit(s) as their primary place of residence, and the Developer shall not impose any restrictions on an assisted-buyer's subsequent sale of the property except for the recapture provisions required by 24 C.F.R. § 92.254(a)(5), as approved by KHC.*

**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.*

The KENTUCKY HOUSING CORPORATION HOME INVESTMENT PARTNERSHIP PROGRAM HOMEBUYER WRITTEN AGREEMENT, which KHC executes with each 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 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.

Resale Following Foreclosure

Via KHC's waiver process, KHC will also allow recipient developers to request resale of properties acquired through foreclosure that were previously developed with HOME funds and that remain in their initial periods of affordability established by 24 CFR 92.254(a)(4). While 24 CFR 92.254(a)(5)(i)(C) states "[t]he affordability restrictions may terminate upon occurrence of any of the following termination events: foreclosure, transfer in lieu of foreclosure, or assignment of an FHA-insured mortgage to HUD," developers choosing this foreclosure/resale option must ensure the home is resold to a buyer whose family qualifies as a low-income family and will use the property as the family's principal residence for the remainder of the initial affordability period. The sales price for such properties must be determined using the appraisal formula established by 24 CFR 92.254(a)(5)(i)(A)(2).

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 Recipient Agency 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.



# MULTIFAMILY GUIDELINES

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## 2025-2026

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## Introduction and General Information

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

These guidelines instruct applicants how to apply for multifamily resources available through KHC's competitive funding application, and explains processes and program criteria. **It is the applicant's responsibility to read and adhere to the contents of these Guidelines.** Applicants may email [multifamily@kyhousing.org](mailto:multifamily@kyhousing.org) for all questions regarding the Guidelines, the QAP, application, or scoring.

### *Current Version Applicability*

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The current version of the Multifamily Programs Guidelines supersedes all previous versions and unless otherwise stated or previously approved, all requirements and policies set forth in these Guidelines will apply to all applications and projects, regardless of when the project received funding. KHC may make exceptions on a case-by-case basis, at its sole discretion. Additionally, KHC may update required forms and documents from time to time; therefore, applicants/owners are advised to always download and utilize the most current versions posted on KHC's [website](#).

### *Amendments to the Guidelines or Qualified Allocation Plan (QAP)*

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

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

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

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

### *Program Administration*

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

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

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

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

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

## *Information Sharing*

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

## *Application Materials*

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

## *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.

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

## *Eligible Project Types*

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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 2025 9% competitive funding round. Refer to the QAP for Housing Credit set-asides. A brief description of the funding programs administered by KHC is located in Chapter 14: Program Descriptions.

#### **PROJECTED FUNDING AVAILABILITY**

<b>Funding Source</b>	<b>9 Percent Housing Credit Projects</b>
HOME Investment Partnerships (HOME)	\$1,000,000
Affordable Housing Trust Fund (AHTF)	\$1,000,000
National Housing Trust Fund (NHTF)	\$1,000,000
Risk-Sharing	Amount Based on Demand

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

### *Funding Request Limitations*

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Projects requesting 9 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 request equal to the lesser of 85% of the applicable HOME maximum subsidy limit or \$1,000,000 total. The maximum request for AHTF funds is \$300,000 per project, whether used with other KHC resources or as the sole source of KHC funds.

### *Maximum Credit Cap Requirements*

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All users are restricted to a maximum of **\$1,500,000** in annual Housing Credit based on their involvement in projects as the applicant/developer, general partner, guarantor, or any other party receiving 25 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*

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 submissions will not be accepted and the applicant may be asked to recall any submissions that are deemed 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)

Eligible applicants must have developed, completed, and operated a multifamily project within the last three years that is now in the affordability stage with KHC's compliance department. The project for which the applicant is applying must be of similar size and scope and utilizing similar funding sources as the previously-awarded project(s). However, if the applicant/developer/co-developer does not meet this qualification, then the applicant/developer/co-developer **must** request application technical assistance (TA). **Applicants must have completed a technical assistance meeting before requesting access to the Universal Funding Application (UFA) system to submit a capacity application.** 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.

Additionally, KHC will require development entities new to KHC to attend a subsequent TA meeting at 80% project completion to review the project close out process and required documents. At its discretion, KHC may require the project completion TA meeting of any developer it deems necessary. To schedule a TA meeting, a completed [Technical Assistance Request Form](#) must be submitted to [multifamily@kyhousing.org](mailto:multifamily@kyhousing.org) no less than 30 days prior to the applicable capacity application submission deadline **and all TA meetings must occur no less than 14 days prior to the capacity application submission deadline.** *NOTE: Requesting or attending technical assistance training does not guarantee the project will be awarded funds.*

## 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. Entities new to KHC must first attend a technical assistance meeting with KHC as noted above before requesting access to the UFA system to submit a capacity application. KHC may require the applicant to engage a consultant or co-developer with recent experience in KHC-assisted multifamily projects similar to the proposed project.

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 and such determination shall be final. Receipt of capacity approval does not guarantee a project will be awarded funds.**

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.

KHC may limit the number of projects a development entity has open at any one time based upon its assessment of their performance and progress on projects currently in the developer's pipeline.

### 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.

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

### 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 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 must include their assigned KHC project specialist when regularly-scheduled closing calls begin to occur between the owner, equity investor, and other project partners 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, additional 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. **The construction completion/placed-in-service stage must be submitted in full no later than 2 months** from the date of KHC's final inspection (100% completion).

### 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 4 months** from submission of the project completion/placed-in-service stage.

## *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, adhering to the following policies:

1. A separate waiver must be submitted for each KHC policy or requirement for which a waiver is being requested – two or more waivers may not be combined into a single waiver request form.
2. The waiver request must be submitted by the project owner or developer.
3. **The waiver fee is due at the time the waiver is requested; no waiver will be considered until the waiver fee has been received by KHC.**
4. Waivers requested prior to application submission must utilize the [Pre-Application Waiver Request Form](#) and must be submitted no less than seven (7) days prior to the application submission deadline to receive consideration.
  - a. Fees for any pre-application waiver requests must be paid when the waiver is submitted.
  - b. **Any pre-application waiver submitted without payment of the fee will be rejected.**
5. Any waivers requested after application submission must be submitted via the UFA system.
6. Waiver requests must contain detailed justification of the need for the waiver, along with appropriate supporting documentation; otherwise, the waiver will be denied.
7. Waiver fees will not be reduced, forgiven, or refunded under any circumstance.

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

## CHAPTER 1: Project Timeline and Fees

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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. 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: Wednesday, May 15, 2024**
- **Closes: Thursday, August 15, 2024, 12 noon, ET (submission deadline)**

**Responses to a Notification of Funding Availability (NOFA) will be due as specified in the NOFA.**

#### Technical Submission

Technical submission items are due **120 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

**Beginning with applications submitted after March 15, 2024**, applicants will have **18 months** from the date of KHC's preliminary approval letter to close with their equity investor, bond purchaser, permanent/construction lenders, and on all KHC loans 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. **No closing extensions or requests to exchange credits will be considered.**

### *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.**

### 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

The following application fees are charged for each project submitted.

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

### Initial Inspection Fee

Projects proposing the rehabilitation of existing rental housing, whether in the New Supply or the Existing Supply set asides, 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. 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

An origination fee of 1 percent of the mortgage amount 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 \$2,000, the second extension fee is \$4,000, and the third extension fee is \$6,000. 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.**

### Subsidy Layering Review Fee

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

### Failure to Meet Deadline Fee

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

### Unauthorized Early Closing Fee

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

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

### Early Start Fee

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

### Unauthorized Early Start Fee

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

### Construction Inspection Fee

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. 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. **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, 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.

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

### Carryover Extension Fee

Owners who do not submit the required carryover documentation by the deadline as outlined in the [Housing Credit Carryover](#) section must pay a one-time fee of \$1,000.

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

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

### Late Submission of 8609 Application Fee

Owners who do not submit the 8609 application and all required attachments **within 4 months** of submission of the project completion/placed-in-service stage must pay a \$1,000 fee for each month beyond the due date. Additionally, KHC may issue a capacity deduction in current or future funding rounds.

### Reissuance of 8609 Fee

**For each instance of correcting and reissuing an IRS form 8609, owners must pay \$1,000 for each form that must be corrected (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.
- 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 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 **per document**
- Second modification occurrence: \$2,000 fee **per document**
- All subsequent modifications: \$4,000 fee **per document**, 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.

## 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.
- **Final capacity approval is at the sole discretion of KHC and such determination shall be final. Receipt of capacity approval does not guarantee a project will be awarded funds.**

### 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 within 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

Eligible applicants must have either:

- **Developed, completed, and operated a multifamily project within the last three years that is now in the affordability stage with KHC's compliance department. The project for which the applicant is applying must be of similar size and scope and utilizing similar funding sources as the previously-awarded project(s).**
- Attended a KHC technical assistance meeting.

**KHC may require the applicant to engage 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.

### **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 participating in a project that could constitute a conflict of interest or identity of interest between the parties, or cause the entities to exceed KHC's funding limits.
3. Complete organizational charts 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.
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

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 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 applicable 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.

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 Thursday, August 15, 2024**. 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 Friday, August 16, 2024** at:

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

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

- 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 **ASTM Phase I and/or II**.
    - **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 Justin Long at [jlong@kyhousing.org](mailto:jlong@kyhousing.org) or Diane Beidleman at [dbeidleman@kyhousing.org](mailto:dbeidleman@kyhousing.org).

**The online application will close at 12 noon, ET, on Thursday, August 15, 2024.** 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.**

## 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).

#### Management Company Performance/Compliance

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

#### Errors and Omissions

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

#### Complete Application

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

#### Tenant Selection Plan Public Housing Preference

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

### **Notification of Public Officials**

All applicants must complete and submit the Notification of Application for Funding form with their application materials. The form must identify the name and email address of the current officeholders for the local mayor (if the project is located within city limits) or county judge executive (if the 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](#).

Upon application submission, KHC will send the notice to the identified elected officials.

### **Fair Housing**

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

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

All projects are required to submit a market study which conforms to [KHC's Market Study Requirements](#). The market study must demonstrate sufficient demand for the proposed project based on location, project design, unit mix, targeted populations, proposed rents, etc.

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

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

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

### **Qualified Contract**

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

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

The UM, as submitted with the application, must comply with the 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.
- In the event the commitment of funds covers multiple properties in a portfolio transaction, the amounts and terms for each property must be delineated separately.

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 funds are not awarded, the applicant will contribute the amount of funds for which it applied and evidence its financial ability to do so. Commitments of resources from federal, state, or local governments may contain a contingency based on the proposed project receiving an award of Housing Credits.

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.
  - In the event the equity commitment covers multiple properties in a portfolio transaction, each of the above items must be delineated separately for each property.
- Be on the equity provider's letterhead;
- Identify the project name; and,
- Be signed and dated within **3 months** of the KHC application submission due date.

Projects utilizing Federal and/or State Historic Tax Credits must 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.

### **Zoning**

All projects must submit evidence that the project site is either:

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

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

KHC will not fund projects that are in a floodway. Any time there is a site located near a floodplain, floodway, or wetland, KHC should be contacted for consultation.

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

For rehabilitation of currently occupied rental housing where any portion of the property is 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 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 tax credit transaction. Sites in multiple counties are not permitted except for Tax-Exempt Bond projects.

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

Projects proposing lease-purchase must be 100 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**

### **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**

### **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 **25 years**.

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

### **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 serving families with two or more bedrooms.

### **Serving The Elderly**

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

### **Serving Persons With Disabilities**

All applicants 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. Except as provided in the [Cure of Application Errors and Omissions](#) provision of this section, KHC will not accept additional documentation or revisions to the application or underwriting model after application submission.

**I. Selection Criteria** – Applications will be reviewed and evaluated as submitted. KHC will review and score each application based on the information presented and may contact applicants only to clarify information submitted with the application.

For applications submitted in the 9% competitive funding round:

- a. New supply projects will be scored based on the criteria outlined in the current scoring workbook.
- b. Existing supply projects will not be numerically scored, but will be ranked based on:
  - (i) greatest need of rehabilitation, as determined by KHC;
  - (ii) percentage of units covered by a federal project-based rental assistance contract; and
  - (iii) projects not requesting acquisition credits (arm's length transactions), or in related-party transactions, projects not requesting acquisition credits or any KHC gap financing.

For applications submitted under a Notice of Funding Availability (NOFA), projects will be ranked based on the selection criteria and preferences outlined in the NOFA.

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.

**Nonprofit Adjustment** – If necessary, KHC will adjust the awards to ensure the overall allocation results in awarding at least 10% of 9% LIHTCs to applications involving tax-exempt nonprofit organizations. To qualify, the nonprofit must:

- own at least 51% of the general partner or managing member interests;
- materially participate in the project as defined in Code Section 469(h);
- be registered and in good standing with the Kentucky Secretary of State;

- not be affiliated with or controlled by any for-profit entity; and
- include the fostering of low-income housing as one of its exempt purposes.

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

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

Refer to [Chapter 4: Application Attachment Requirements](#) for the documentation required to be considered for the MBE Adjustment.

- II. **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.
- III. **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.

### *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 **five (5) errors and/or omissions** contained in any application attachment (excluding the KHC underwriting model **and scoring workbook**). If more than **five errors or omissions** must be addressed, the application will be rejected for not meeting threshold. Any error contained in the application as input by the applicant will be considered an incurable error, because the application cannot be amended after submission. An incurable error does not disqualify the application from further consideration; however, incurable errors are included in the maximum allowable errors and/or omissions.

The correction of any **error or omission** must be made within **48 hours** of the time that KHC transmits the notification of such error or 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 Thursday, 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 into 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 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.** **Projects that proposed innovative components in the application must retain those features and characteristics in the completed project.**

## 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. 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. Portfolio Summary Underwriting Model\***

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

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

**3. 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.

**4. 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.

**5. 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 **to demonstrate which preferences and selection criteria the project is claiming.**

## 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 detailed 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)) and have meaningful engagement in the project for the 15-year compliance period.

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

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

- a. Copy of current MBE certification from the Kentucky Finance and Administration Cabinet
- b. Certificate of Existence from the Kentucky Secretary of State demonstrating that the MBE development entity has been in existence for at least one year;

- c. Supporting evidence of the past real estate development activities of the MBE entity, particularly as it relates to multifamily housing;
- d. If the MBE is acting as a co-developer:
  - i. An executed co-development agreement that meets the standards outlined above, and
  - ii. An activity log demonstrating the communication and coordination between the developer and co-developer regarding the proposed project for a minimum six-month period prior to application submission.

## 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\***

*(New Supply projects 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. **Supporting Documentation for Selection Criteria**

*(Non-Credit 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 to demonstrate which preferences and selection criteria the project is claiming.

### 6. **Notification of Application for Funding\***

*(Required for projects of 12 or more units)*

Applicants must complete and submit the Notification of Application for Funding form, which must identify the name and email address of the current officeholders for 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](#). Upon application submission, KHC will send the notices to the identified elected officials.

**7. Nonprofit Questionnaire\***

*(LIHTC projects only)*

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.**

**8. 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.

**9. 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.

**10. 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.

**11. 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.

**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. 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).**

**19. 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.

**20. Supportive Housing Service Plan**

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

The service plan must contain the following information:

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

**21. 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 25 years. For all projects, a minimum of 25 years must have passed since the last substantial rehabilitation to meet threshold. For threshold 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 25 years and if so, the date of the rehabilitation.

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

**22. PolicyMap Report**

*(New Supply projects only)*

Projects seeking points in the PolicyMap Renter Cost Burdens, Median Household Income, Employment Density, and/or Road Network Density scoring categories must provide a copy of the report or a screenshot obtained from the PolicyMap website for each category in which points are being sought. The printout must clearly identify the location of the project within the applicable boundary and the numeric value or percentage result.

### **23. Census Tract Report**

*(New Supply projects only)*

Projects seeking points in the PolicyMap scoring categories must document the current census tract designation for the proposed project's location by providing a printout of the full census tract report obtained from the U.S. Census Bureau [website](#).

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

*(New Supply projects only)*

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

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

## **Underwriting Documents**

### **1. Underwriting Model\***

*(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). **Applicants wishing to use a utility study in lieu of a utility allowance chart at the application stage must submit a pre-application waiver.**

**5. Market Study / Needs Analysis**

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

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 rent-assisted units.

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

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

**10. Commitment Letters for HOME Match**

All projects requesting HOME funds must have written commitments of **HOME-eligible** matching funds of at least 5 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 must be valid through the announcement period of the calendar year in which KHC resources would be awarded. If at any point the contract is determined to be at risk of expiring prior to closing, KHC may require supplemental proof that the property can be purchased prior to closing.

Applicant must be able to prove that Applicant has the ability to purchase the property at all times until closing. **The contract cannot contain seller's right of first refusal language.**

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

**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:

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 of 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.

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).

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.

- The most commonly used agreement is the lump sum contract, which is B101 Standard Form of Agreement between the owner and architect with the standard form of architect's services.
- KHC cannot approve an open-ended contract that does not specify the total contract amount.

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

*(Required for all projects)*

Refer to [Chapter 13: Design and Construction Review](#) for more information about KHC's building plan requirements.

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

*(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. 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.

### **6. 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.

### **7. 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.

#### **8. 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.

#### **9. 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. **An approved Environmental Review Record (ERR) must be in HEROS and approved by KHC and/or HUD no later than the pre-closing stage.** Refer to KHC's Multifamily Guidance on Environmental Reviews for more information.

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

*(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 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.

**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 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](#). 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 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 (Draft)**

*(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 (Draft)**

*(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.

### *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 meeting the 10 percent test or written extension request**

Housing Credit projects must place in service by the end of the calendar year the credits were allocated **or** must submit a carryover request. If the project will not place in service before the end of the allocation calendar year, the owner must submit evidence of having incurred more than 10 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 preclosing 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 start of construction.

- Once due diligence closing calls have been scheduled with the equity investor and other partners, the developer must include their assigned KHC project specialist on all meeting invitations.
- KHC must have completed and approved final underwriting before 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.**
- For projects receiving federal funds from KHC, closing may not occur until KHC has reviewed and approved the ERR.

### 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.**

**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. The survey must be certified to KHC, stamped, sealed, and signed by the licensed surveyor. The fieldwork must be dated within 6 months of closing and the survey dated no more than 60 days from the date of closing.

**5. Surveyor's Report**

*(Required for projects utilizing Risk-Sharing 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.

## *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. 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.

### **2. Final Specifications / Work Write-Up**

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

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.

### **3. 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 [breakdown](#) as well as the hard costs shown on KHC's underwriting model. Cost contingencies may not be included.
- The dates the construction should begin and be completed.
- Any liquidated damages and the amount per day.
- Reference to the plans, specifications, and any addendums that have been issued.
- Davis-Bacon Wage Rate clause (if applicable).
- Section 3 clause (if applicable).

### **4. 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.

**5. 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.**

**6. Building Permit**

*(Required for all projects)*

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

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

If the local jurisdiction does not issue building permits, plans must be submitted to the Kentucky HBC, which will issue a letter authorizing the start of construction.

**8. 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.

**9. Final Cost Breakdown**

*(Required for all projects)*

The final cost breakdown must indicate the actual amount that will be spent on each line item during construction and will be utilized during construction for disbursement of funds. Soft costs should not be included on any of the line items. **The final cost breakdown must match the total hard costs on the KHC underwriting model.** The cost breakdown can be one of the following:

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

Owners must apply the correct cost with the line item that best describes the work.

Applicants/owners are also required to enter the construction costs from the final cost breakdown 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.

#### **10. 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.).

#### **11. 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](#) for more information.

The Davis-Bacon Act requires that laborers be paid an amount not less than the prevailing wage of the locality as predetermined by the U.S. Secretary of Labor. A project may not be split into more than one contract for the sole purpose of avoiding Davis-Bacon requirements. The Davis-Bacon Wage Rate Request form is located on KHC's website, [www.kyhousing.org](http://www.kyhousing.org).

#### **12. Pre-construction Conference Form\***

*(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, site superintendent, the developer's representative responsible for submitting draw requests (if applicable), and the KHC construction specialist. When all pre-construction documents have been approved and the applicable closings have occurred, the 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.

#### **13. KHC Project Review Agreement\***

*(Required for all projects)*

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**

## 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. Once KHC has approved the final inspection, owners will have 60 days to submit the construction completion/placed-in-service stage.

### *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.

**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.

**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.

**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.

**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 or NHTF)*

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.

**NHTF regulations require that the cost certification be received at KHC no later than 120 days from the date of the final draw.**

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 imperative 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 4 months** from submission of the project completion/placed-in-service stage. **Late submission of the LURA/8609 stage will incur penalty fees as outlined in Chapter 1 and may result in a capacity deduction in future funding rounds.**

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

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.

When completing Part II of the IRS Form(s) 8609, **project owners must ensure that they elect the same income set-aside** (20/50, 40/60, or Average Income) as is noted in the LURA. Failure to do so may result in a penalty fee and/or a capacity deduction in future funding rounds.

The following documentation is required at the LURA/8609 stage.

### 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](#). Cost certifications should not be dated prior to KHC's final 100 percent construction inspection and submission of the construction completion/placed-in service stage in UFA.

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. **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.

### 3. **Updated Final KHC Underwriting Model**

An updated version of KHC's final underwriting model that reflects the final sources and uses of funds must be provided. The sources and uses must agree with the final cost certification.

**4. Owner Certification of Federal, State or Local Subsidy\***

The owner must sign and submit a Certification of Federal, State or Local Subsidy.

**5. Title Insurance Policy**

An owner's or lender's title insurance policy for the property 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.

**6. Title Endorsement or Attorney Opinion Letter**

An endorsement to the title or a title attorney's opinion letter that updates the title from the time of the policy to the date of the 8609/LURA request 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.

**7. 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.

**8. 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.

**9. Architect's Final Form G702/G703**

An architect must complete the Certificate for Payment (AIA G702) and Continuation Sheet (AIA G703), which breaks the contract sum into portions of work in accordance with a schedule of values utilizing CSI format.

**10. Resolution/Consent Authorizing Execution of the LURA**

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.

**11. 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.



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

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

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

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

## HOME Financial Requirements

- HOME loans (deferred, forgiven, or amortizing) are **recourse** loans.
- For projects of 11 units or less, a vacancy rate of 10% should be projected, and for projects of 12 units or more, a 7% vacancy rate should be projected.
- All proposed developments requesting HOME funds are required to 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>	

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 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 other federal funds must complete a separate environmental review process for each source of funds.** More information on environmental requirements for NHTF funds can be found on HUD's website. [Environmental review questions for KHC-assisted projects](#) should be sent to [environmentalreview@kyhousing.org](mailto:environmentalreview@kyhousing.org).

## *Affordable Housing Trust Fund (AHTF)*

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### **AHTF funds are considered gap financing only.**

- Eligible applicants are **nonprofit organizations**.
- **The nonprofit organization must be at least 51% of the ownership entity and materially participate in the project for the term of the loan.**
- Nonprofits must be registered and in good standing with the Kentucky Secretary of State.
- Nonprofits may not be affiliated with or controlled by any for-profit entity and one of the exempt purposes of the nonprofit must include the fostering of low-income housing.
- Nonprofits must meet the criteria defined as material participation in IRC Section 469(h) if combining AHTF with Housing Credits.
- Eligible activities include acquisition/new construction, acquisition with rehabilitation, and/or new construction of very low-income rental developments. AHTF funds have three priorities:
  1. New construction projects.
  2. Projects using existing privately-owned housing stock.
  3. Projects using existing publicly-owned housing stock.
- The affordability period for rental projects is **30 years**. A deed restriction will be recorded against the property to secure the affordability period. If the AHTF loan is paid off early, the recorded deed restriction will remain in effect.
- KHC shall require at least 40% of all AHTF funds to be used for rural areas, **as required in KRS 198A.720**.
- In combination with the above activities, owners can use AHTF to fund upfront services to residents, including budgeting and life skills development, homeownership counseling, tenant education, and self-sufficiency development. However, ongoing support services to keep clients in housing are **not** eligible activities.
- AHTF funds are provided in the form of an amortizing loan, deferred loan (due at maturity) or a forgivable loan (forgiven at maturity). KHC will consider forgivable loans only for projects with that demonstrate the need for such a loan and cannot support any debt service.
- Preference will be given to projects serving households below 30% AMI. However, AHTF may serve households up to 60% AMI. Owners can refer to the AHTF Income Chart to find the maximum income limits used for the AHTF program. This chart can be found on the [Multifamily Underwriting Resources page](#) of KHC's website, under the Income, Rent, Subsidy, and Cost Containment Limits dropdown.
- While there are no published rent limits for AHTF, the proposed rents should be proportionate with the income level being served, unless rental assistance is being provided. Since there are no published AHTF rent limits, the [HOME rent chart](#) should be used as a guide.

### **AHTF Financial Requirements**

- AHTF loans are non-recourse.
- The amount of developer fee (including any fees for consulting services) paid for with AHTF funds cannot exceed 7.5 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.
- 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*

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.
- 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, **including the appraisal.**
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. **Please note that changes to the amounts of any KHC or non-KHC funding source are subject to a secondary appraisal review and KHC resources may be adjusted downward accordingly.**
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 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 (Fayette, Jefferson, Boone, Campbell, and Kenton Counties)**

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.

**Balance of State (Any area outside of the urban counties is considered balance of state)**

The Housing Credit allocation for projects located in the balance of state 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.

**Balance of State 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 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 perform the SLR or submit it to HUD until final underwriting has been approved at the preclosing stage.**

## *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.

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

- 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.
- **Appraisals that do not demonstrate sufficient value to cover the sum of all permanent loans on the property may result in the reduction of KHC resources preliminarily awarded to the project.**

### *Cost Containment*

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

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

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

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

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

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

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

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

**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*

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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%

### *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:

- Developer fee
- Consultant fee
- 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)*

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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.

**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 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 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.
- Show overall exterior building dimensions and the different unit types that exist in each building.
- Show all adjacent walks, stoops, and/or patios.
- Show location of all party and firewalls.
- Wall thickness, exterior finishes, doors, windows, cabinets, plumbing fixtures, closets, etc.
- Complete dimension of each typical unit so room sizes can be determined.

#### **Wall Detail**

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

#### **Elevations**

Elevations must show all four sides of the building(s) and include the following:

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

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

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

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

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

- Building floor plans must be 1/8" = 1' scale.
- Individual unit plans must be at 1/4" = 1' scale.
- Completed in accordance with the highest architectural and engineering professional standards.
- Submitted to the appropriate building code officials for their review.
- Comments received during the application stage must be incorporated in the final plans.
- Final comments shall be incorporated into the final drawings or amended by an addendum.
- Meet all applicable accessibility requirements (UFAS, Fair Housing, ANSI A117.1, 2010 ADA or KHC Universal Design, one or more as applicable).

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

**For projects containing 12 units or more**

The construction plans must contain:

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

**For projects with 11 units or less**

The construction plans must contain:

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

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

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

**Earthwork Plans**

*(Required for projects of 12 units or more)*

Information requirements for earthwork and grading plans:

- Grading contours existing and new at 2-foot intervals, unless the grade is too steep and it is infeasible.
- Storm drainage piping with manholes, headwalls, and retention areas, or any other miscellaneous structures. Should show top of structure elevation as well as invert elevation.
- Show slopes greater than 3:1 with ground cover.
- Show location of soil boring test, if they apply.
- All finish grade work at buildings shall be a minimum of 8 inches below finish floor elevation and slope away from the building a minimum of 6 inches over a 10-foot run.
- If retaining walls are required, they should be shown and provide a top of wall spot elevation and adjacent grade elevation.
- Walls, curb cuts, access ramps, dumpster pads, etc., must be shown on plans.

**Site Utility Plan**

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

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

**Existing Utilities**

*(Required for all projects)*

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

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

**Landscaping Plan**

*(Required for 12 units or more)*

All projects should have an adequate number of shrubs, trees, and plantings. The landscaping plan must:

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

**Foundation Plans**

*(Required for 12 units or more)*

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

### **Floor Plans**

*(Required for all projects)*

Floor plans should include the following, at a minimum:

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

### **Enlarged Floor Plans**

*(Required for all projects)*

Enlarged floor plans at a minimum should indicate the following.

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

### **Elevations**

*(Required for all projects)*

- Elevations required for all sides of the buildings.
- Exterior wall finishes.
- Window and door openings.
- Roof material and the slope of the roof.

- Eave, rake, and fascia conditions to include gutters and downspouts.
- Balconies, breezeways, railings, and exterior steps.

#### **Building and Wall Sections**

*(Required for all projects)*

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

#### **Enlarged bathroom and kitchen plans and elevations**

*(Required for 12 units or more)*

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

#### **Door, window, and room schedules**

*(Required for 12 units or more)*

- Provide room schedule with room designation or number. Indicate floor finish description, base finish, wall finish, ceiling finish, and notes for special finishes.
- Provide door schedule. Indicate door size, thickness, material, and fire rating, if applicable. Provide elevation of each door type.
- Door hardware schedule. Indicate hinges, lock sets, closures, panic push bars, kick plates, and weather stripping.
- Provide window schedule. Indicate window size, type, operation, and glazing. Provide elevations of each type.
- Show all details for windows, doors, and finishes, as necessary.
- Provide windows in bedroom and living rooms that meet egress and emergency escape requirements in the Kentucky Building Code and/or Kentucky Residential Code, and 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 residential buildings in the development should be numbered in sequential order, with any common area buildings (leasing office, maintenance building, laundry facility, etc.) appearing at the end of the list of numbers. The building numbers must correlate to the Building Identification Numbers (BINs) entered into the UFA system at pre-closing stage.
- All exterior items, such as parking, street walks, curbs, dumpster pads with enclosures, playgrounds, community rooms, and fences should be noted.
- All dimensions, setbacks, easements, and rights-of-way must be shown, with a "North" indicator.
- A site detail must be shown on the plan or on a separate site detail sheet. Details should describe the type of walks, curbs, handicapped parking, etc.

## Permit Set and Final Specifications

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Permit set and final specifications are required for all projects, except rehabilitation projects of 11 units or less may submit a work write-up in lieu of specifications. During the technical submission stage, KHC's Design and Construction staff will review the permit set specifications in conjunction with the permit set plans. If changes occur during the review of the permit set plans that may cause a change in the specifications, the developer will be notified if any additional changes or corrections need to be made.

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

All specifications shall be written following the standard Construction Specifications Institute (CSI) master format using standard AIA documents. The architect must write the specifications in accordance to accepted standards, rules, and regulations, and include specific products by model number and manufacturer (without limiting the contractor to one or two manufacturers).

KHC must approve all changes and modifications prior to commitment and final underwriting. Final specifications will be reviewed during the pre-construction stage and any previous review comments during the application and technical submission stages shall be corrected and incorporated into the final specifications. Final specifications must address the issues identified in the Physical/Capital Needs Assessment if applicable for rehabilitation projects, and include all documents that pertain to the construction contract.

The specifications must include the following **23 divisions**:

Division 01: General Requirements

Division 02: Existing Conditions

Division 03: Concrete

Division 04: Masonry

Division 05: Metals

Division 13: Special Construction

Division 14: Conveying Equipment

Division 21: Fire Suppression

Division 22: Plumbing

Division 23: HVAC

Division 06: Carpentry	Division 26: Electrical
Division 07: Thermal & Moisture Protection	Division 27: Communications
Division 08: Door & Windows	Division 28: Electronic Safety & Security
Division 09: Finishes	Division 31: Earthwork
Division 10: Specialties	Division 32: Exterior Improvements
Division 11: Equipment	Division 33: Utilities
Division 12: Furnishings	

The architect must clearly define the following in each section:

- Scope of work
- Execution and/or installation
- Products and/or materials
- Submittals and samples
- Quality assurance, testing and quality control
- 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
- Copy of the general contractor's agreement
- Bidder instructions, if applicable
- General and supplemental conditions
- Wage scale and Davis-Bacon requirements, if applicable

Manufacturer's specifications are required for the following items:

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

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

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 have sufficient background inspecting multifamily 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 and pre-construction documents and underwriting should be completed prior to the pre-construction conference being scheduled. **The developer is responsible to contact KHC's project review administrator to schedule the pre-construction conference no later than two weeks before the requested meeting date.** The assigned KHC project specialist must also be copied on the 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 project review administrator and construction specialist in conjunction with the program specialist.

For developers who have not previously used KHC resources to construct or rehabilitate a rental project, a full pre-construction conference will be required; however, for developers experienced with KHC's multifamily programs, a more limited pre-construction conference may be conducted at the discretion of KHC's project review administrator, construction specialist, and program 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 breakdown
- Requirements for safety fencing
- Requirements for job safety
- Project signage requirements
- Davis-Bacon wage rates, if applicable
- Draw request process
- Change order process
- The 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.

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

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

### *Construction Inspections*

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

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

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.

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 Draw Policies*

1. KHC will only disburse funds via an Electronic Funds Transfer (EFT) to the account identified on the EFT authorization form submitted during the pre-closing stage.
2. Only authorized persons, as identified on the Authorized Signature Form, may submit a draw request. **Note: the person who submits the draw request may not be the same person who authorizes and/or signs for the disbursement of funds.**

3. Owners must submit all draw requests electronically on a fully executed and completed Program Funding Draw Request. Owners must certify that all funds will be disbursed within five business days of receipt. The architect (if applicable) must certify that all work, labor, and materials are satisfactory and in accordance with approved plans and specifications.
4. Owners may request disbursement of KHC funds only to meet **current needs** for payment of eligible costs. Old invoices or invoices previously paid by another source will not be accepted.
5. 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.**
6. 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 secured.
7. Construction contingency funds will not be disbursed unless change orders have been approved by KHC. Unused contingency funds will be recaptured from any KHC funds awarded to the project.
8. 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.
9. Each project is limited to one draw request per month.
10. Draw requests must be in whole dollar amounts, rounded down to the nearest dollar.
11. All HOME and/or NHTF projects must submit a draw request for HOME/NHTF funds at a **minimum of once every 12 months**, otherwise the project will be deemed inactive by HUD.
12. A pre-construction conference must be held prior to the start of any construction activities.
13. A KHC construction specialist must approve and sign all construction draw requests. 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.
14. Owners must submit the following documentation electronically for each draw request:
  - ✓ KHC Program Funding Draw Request completed online.
  - ✓ Updated Title Endorsement to Title Policy for each KHC funding source for which a draw request is submitted, no more than 30 days old, reflecting the actual amount of the proposed disbursement and the total amount disbursed to date.
  - ✓ Builder's or Contractor's Affidavit of lien waiver (must be submitted with every draw for all major component contractors).
  - ✓ AIA form G-702 and G-703 (if using an architect), or KHC Payment Request Form.
  - ✓ Copies of invoices, receipts, etc., for payment of soft costs (and hard costs if an architect is not involved). **All supporting documentation must have the contractor's or vendor's identification of the project for which the expense was incurred.**

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

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

## 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.

## 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: Program Descriptions

Following is a brief description of the various programs administered by KHC for the production of affordable multifamily rental housing. This chart should not be construed as an all-inclusive list of all of the requirements of each program.

Program	Eligible Applicants & Activities	Summary of Program Requirements
<b>Low-Income Housing Tax Credits (LIHTCs or Housing Credits)</b>	<ul style="list-style-type: none"> <li>• Housing Credit is not a source of funds; it is an allocation of federal tax credits the project owner sells to an investor.</li> <li>• Eligible applicants are nonprofits, for-profit entities and local governments. However, for-profit involvement is required to access credits.</li> <li>• Eligible activities are new construction, rehabilitation and/or preservation of low-income rental housing.</li> </ul>	<ul style="list-style-type: none"> <li>• An investor purchases the Housing Credits, which they claim against their federal income tax liability for ten years. The resulting equity from the purchase of credits is used to finance the project.</li> <li>• The property must remain affordable for a minimum of 33 years.</li> <li>• Eligible households must have incomes at or below 60% of the area median.</li> </ul>
<b>Tax-Exempt Bonds Utilizing 4% Housing Credits</b>	<ul style="list-style-type: none"> <li>• KHC is the designated bond issuing authority for all housing projects within the Commonwealth of Kentucky.</li> <li>• Eligible applicants are for-profit and nonprofit developers.</li> <li>• KHC issues the bonds with proceeds going to a developer for the purpose of constructing affordable housing.</li> <li>• Repayment of the bond financing comes from revenue generated by the project.</li> <li>• Eligible activities are new construction, acquisition with new construction, acquisition with rehabilitation and rehabilitation of existing rental units.</li> </ul>	<ul style="list-style-type: none"> <li>• Because bonds are tax-exempt, developers can obtain an interest rate that is typically lower than market rate.</li> <li>• Bonds can be short term (24 months) or long term (up to 40 years).</li> <li>• Bond projects utilizing at least 51% of bond proceeds to fund eligible project costs are eligible for 4% Housing Credits to generate equity for the project.</li> <li>• Tax-Exempt Bond projects are subject to payment of additional fees. 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>
<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>

<p><b>HOME Investment Partnerships (HOME) Program</b></p>	<ul style="list-style-type: none"> <li>• HOME is for gap financing only.</li> <li>• Eligible applicants are nonprofit organizations and for-profit entities.</li> <li>• Eligible activities are new construction acquisition with rehabilitation and rehabilitation of existing rental units.</li> <li>• HOME is a federal program and all federal cross-cutting regulations apply (24 CFR, 92.350 – 92.358).</li> </ul>	<ul style="list-style-type: none"> <li>• HOME funds may not be used for refinancing.</li> <li>• HOME is a <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>
<p><b>National Housing Trust Fund (NHTF)</b></p>	<ul style="list-style-type: none"> <li>• NHTF is for gap financing only.</li> <li>• Eligible applicants are nonprofit organizations and for-profit entities.</li> <li>• Eligible activities are new construction, acquisition with rehabilitation and rehabilitation of existing rental units.</li> <li>• NHTF is subject to all the same federal cross-cutting regulations as the HOME program, except for Davis-Bacon wage rates.</li> <li>• Projects requesting NHTF must have project-based rental assistance.</li> </ul>	<ul style="list-style-type: none"> <li>• NHTF funds can be used for construction and permanent loans. NHTF funds cannot be used for refinancing.</li> <li>• NHTF is a <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 and for-profit entities.</li> <li>• Risk-Sharing is a mortgage insurance program in conjunction with HUD. All federal cross-cutting regulations apply.</li> <li>• Eligible activities are new construction, acquisition with new construction, acquisition with rehabilitation and rehabilitation of existing rental units.</li> </ul>	<ul style="list-style-type: none"> <li>• The loan term may not exceed 40 years and the maximum loan-to-value is 90%.</li> <li>• Loan interest rate is determined periodically as established by KHC.</li> <li>• There is a 1/2% monthly mortgage insurance premium (MIP).</li> <li>• Risk-Sharing loans are <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>

## CHAPTER 15: 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.

**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.

**a. Standard policies and procedures for evaluating individuals' and families' eligibility for assistance under Emergency Solutions Grant (ESG).**

The Hearth Act includes new definitions for *At Risk of Homelessness* and *Homelessness* as they pertain to the Emergency Solutions Grants program. Complete definitions are found at §576.2 Definitions.

Sub-recipients must implement written agency policies and procedures to determine client eligibility based on being *At Risk of Homelessness* or *Homeless* as defined by HUD. In addition, sub-recipient policies and procedures must identify acceptable forms of documentation as defined by HUD at §576.500 to accurately document individuals' or families' eligibility for ESG assistance. Sub-recipient policies and procedures must be established in writing and implemented by the sub-recipient to ensure that ESG funds are used in accordance with the requirements. In addition, sufficient records must be established and maintained to enable KHC and HUD to determine whether ESG requirements are being met.

*Homeless status.* Sub-recipients must maintain and follow written intake procedures to ensure compliance with the homeless definition in §576.2. The procedures must require documentation at intake of the evidence relied upon to establish and verify homeless status. The procedures must establish the order of priority for obtaining evidence as third-party documentation first, intake worker observations second, and certification from the person seeking assistance third.

*At Risk of Homeless status.* For each individual or family who receives ESG Homelessness Prevention assistance, the records must include the evidence relied upon to establish and verify the individual or family's "at risk of homelessness" status. This evidence must include an intake and certification form that meets HUD specifications and is completed by the sub-recipient.

**b. Policies and procedure for coordination among emergency shelter providers, essential service providers, homelessness prevention and rapid re-housing assistance providers, other homeless assistance providers, and mainstream service and housing providers.**

As part of the program requirements in implementing the Emergency Solutions Grants, sub-recipients must develop, when applicable, policies and procedures for coordination in order to ensure that emergency shelter providers, essential service providers,

homeless prevention and rapid re-housing assistance providers along with other homeless assistance providers and mainstream service and housing providers are coordinating their activities with the objective of assisting individuals experiencing housing crisis and/or homelessness to **quickly** regain stability in permanent housing. To comply with the program requirements as defined by HUD at 576.400, sub-recipients must establish written policies and procedures for effective coordination.

*Coordination with other targeted homeless services.* Sub-recipients must coordinate with existing homeless services providers and demonstrate to the maximum extent practicable that there is a written process for facilitating client access to other homeless programs as indicated in section 576.400 – b and c. The process must include the establishment of a coordinated assessment at intake that allows rapid referrals.

*System and program coordination with mainstream resources.* Sub-recipients must establish a coordinated case plan that includes client goals and measurable outcomes. Coordination will also include a needs assessment plan along with a mainstream service eligibility and access plan with existing programs that target youth, individuals and families at risk of homelessness.

*Centralized or Coordinated Assessment.* Sub-recipients must align the determination of eligibility based upon the definitions of *At risk of Homelessness* or *Homeless* as established by HUD (576.2). Any assessment, including screening and/or referral process must be:

- *Consistent* - All assessment, screening and referral protocols are clearly delineated by the COC and reprised in the grant agreement to ensure that it is binding. Sub-recipients will be trained on intake and screening policies before any grant execution.
- *Accurate* - To ensure accuracy of needs assessment, sub-recipients must demonstrate as much as possible that the assessment process is coordinated with other targeted homeless service providers.

As best practice, sub-recipients are encouraged to secure and have on file a Memorandum of Understanding with targeted homeless service providers.

For the purposes of privacy and safety, victim service providers may choose not to use the centralized or coordinated assessment system.

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**c. 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.**

Sub-recipients must implement written policies and procedures for determining which individuals and families who qualify as *at risk of homelessness* can receive homelessness prevention assistance and which of those individuals and families should be prioritized for that assistance.

**Homelessness Prevention Assistance.** ESG funds may be used to provide housing relocation and stabilization services and short- and/or medium-term rental assistance necessary to prevent an individual or family from moving into an emergency shelter or another place described in paragraph (1) of the *homeless* definition in §576.2. This assistance, referred to as homelessness prevention, may be provided to individuals and families who meet the criteria under the *at risk of homelessness* definition, or who meet the criteria in paragraph (2), (3), or (4) of the *homeless* definition in §576.2 and have an annual income below 30 percent of median family income for the area, as determined by HUD. Homelessness prevention should only be considered when the assistance is necessary to help the program participant regain stability in the program participant's current permanent housing or move into other permanent housing and achieve stability in that housing.

Sub-recipients must implement policies and procedures to determine client eligibility based on the program participant meeting the *homeless* and/or *at risk of homeless* definitions at §576.2. In addition, the policies and procedures must outline how the subrecipient will determine the program participant's household income does not exceed 30 percent of median family income for the area as determined by HUD.

Sub-recipients must implement written policies and procedures to ensure that homelessness prevention assistance is necessary to help the program participant regain stability in the program participant's current permanent housing or move into other permanent housing and achieve stability in that housing. In the event that the sub-recipient determines that homelessness prevention assistance could not help the program participant regain stability in permanent housing, the policies and procedures must ensure the program participant is informed that they do not qualify for assistance for this reason.

Sub-recipients must implement written procedures to outline what type of homelessness prevention assistance the program participant is qualified to receive and in what order of priority.

- Eligible homelessness prevention assistance:
  - Housing relocation and stabilization services requirements in §576.105
  - Short-term and medium-term rental assistance requirements in §576.106

*At Risk of Homeless status.* For each individual or family who receives ESG Homelessness Prevention assistance, the records must include the evidence relied upon to establish and verify the individual or family's *at risk of homelessness* status. This evidence must include an intake and certification form that meets HUD specifications and is completed by the subrecipient.

*Annual Income status.* For each individual or family who receives ESG Homelessness Prevention assistance, the record must include documentation that the program participant has insufficient financial resources and support networks; e.g., family, friends, faith-based or other social networks, immediately available to attain housing stability and meets one or more of the conditions under paragraph (1)(iii) of the definition of *at risk of homelessness* in §576.2

**Rapid Re-Housing Assistance.** ESG funds may be used to provide housing relocation and stabilization services and short- and/or medium- term rental assistance necessary to help a homeless individual or family move as quickly as possible into permanent housing and achieve stability in that housing. The rapid re-housing assistance must be provided in accordance with the housing relocation and stabilization services requirements in §576.105, the short- and medium- term rental assistance requirements in §576.106, and the written standards and procedures established under §576.400.

Sub-recipients must implement policies and procedures to determine client eligibility to receive rapid re-housing assistance. An individual or family's ability to sustain housing should not be a threshold requirement. The written policies and procedures should identify how the program participant will receive services to overcome their immediate housing obstacles and connect them with the resources they need to stay housed when the program ends.

Sub-recipients must implement written policies and procedures to ensure that rapid re-housing assistance is necessary to help the program participant move as quickly as possible into permanent housing and achieve stability in that housing. In the event that the sub-recipient determines that rapid re-housing assistance could not help the

program participant achieve stability in permanent housing, the policies and procedures must ensure the program participant is informed that they do not qualify for assistance for this reason.

Rapid re-housing assistance should be targeted to program participants who are closest to going into a shelter, car, or the street, if not those who are about to spend their first night there (referred to as "diversion"). Written policies and procedures should identify an effective targeting policy to prioritize those most in need of quickly moving into permanent housing as those being eligible to receive rapid re-housing assistance. Sub-recipients should ensure that their program priorities are consistent with the goals of the state plan to end homelessness and the Federal Strategic Plan.

Sub-recipients must implement written procedures to outline what type of rapid re-housing assistance the program participant is qualified to receive and in what order of priority. Policies and procedures must include standards of determining the type, amount, and duration of housing stabilization and/or relocation service to provide to the 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.

- Eligible rapid re-housing assistance:
  - Housing relocation and stabilization services requirements in §576.105
  - Short-term and medium-term rental assistance requirements in §576.106

**d. Standards for determining the share of rent and utilities costs that each program participant must pay, if any, while receiving homelessness prevention or rapid re-housing assistance.**

The homelessness prevention and rapid re-housing assistance components allow caps and conditions to be set by the subrecipient agency as they pertain to short- and medium-term rental assistance at §576.106 (b). In the event that the subrecipient elects to set caps and/or conditions to the type of assistance being provided, they must be outlined in the agency's written policies and procedures and must apply to all program participants.

Sub-recipients may set a maximum amount or percentage of rental assistance that a program participant may receive a maximum number of months that a program participant may receive rental assistance, or a maximum number of times that a program participant may receive rental assistance. Sub-recipients may also require program participants to share in the costs of rent; however, the program participant should never be required to contribute more than thirty percent of the household income toward the cost of rent.

If the amount of assistance will be based on a percentage of the program participant's income, the policies and procedures must specify what the percentage will be used and how the income will be calculated. Under no circumstances should the percentage of the participant's income contributed toward rent exceed thirty percent of the household's monthly income.

- e. 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.**

As part of the program requirements in implementing the Emergency Solutions Grants, the sub-recipients must develop consistent standards for determining the duration, the provision and the adjustment of rental assistance.

***Prevention*** . ESG assistance funds may be used to provide housing relocation and stabilization services and short- and /or medium-term rental assistance necessary to prevent an individual or family from moving into an emergency shelter or another place not meant for human habitation (see homeless definition 576.2). This type of assistance is referred to as *prevention* (see 576.103).

Sub-recipients must establish consistent standards regarding:

*Eligibility* - All determination of homeless prevention must meet the criteria under the *at risk of homelessness* definition which must be appropriately documented. All documentation must demonstrate that the assistance to an individual or family is necessary to help regain stability in the participant's current home. All participants must have an annual income at or below 30 percent of area median income for the area as defined by HUD (see 576.105)

*Duration of assistance* - All short-term rental assistance must not exceed three (3) months of rent during any 24-month period.

*Discretionary capping/conditions* – Sub-recipients must establish written policies that clearly state the maximum amount or percentage of rental assistance as well as the number of months that a program participant may receive assistance (see 576.106b). All rental assistance must not exceed the Fair Market Rent (FMR) established by HUD, as provided under 24 CFR part 888 and comply with HUD's standard of rent reasonableness as defined under 24 CFR 982.507

*Rental adjustment* – Sub-recipients must re-evaluate the eligibility of the program participant and the amounts of assistance once every three months. All re-evaluation must be documented and establish that the program participant does not have an annual income that exceeds 30 percent of area median income. For the purposes of re-evaluation of eligibility, sub-recipients must document any changes in the program participant income or other circumstances such as changes in the participant's household composition.

**Rapid re-housing.** ESG assistance funds may be used to provide housing relocation and stabilization services and short- and/or medium-term rental assistance necessary to help a homeless individual or family to move as quickly as possible into permanent housing and achieve stability in that housing. This assistance, referred to as rapid re-housing, may be provided to program participants who meet the criteria under the definition of homelessness (see homeless definition as defined by HUD under 576.2) Sub-recipients must establish consistent standards regarding the provision of this type of assistance (see 576.105 housing relocation and stabilization services).

*Eligibility.* All documentation must demonstrate that the assistance to an individual or family meet the definition of homelessness as defined by HUD. All participants must have an annual income at or below 30 percent of area median income as defined by HUD (see 576.105).

*Duration of assistance.* Eligible participants will be provided with no more than 24 months of rental assistance during any three-year period. Sub-recipients must establish written policies and procedures around this provision. If caps and/or conditions are applied, the written policies must clearly state the maximum amount or percentage of rental assistance as well as the number of months that a program participant may receive assistance (see 576.106b). All rental assistance must not exceed the FMR established by HUD, as provided under 24 CFR part 888 and comply with HUD's standard of rent reasonableness as defined under 24 CFR 982.507. Sub-recipients must ensure that all program recipients receiving project-based rental assistance must have a one-year lease regardless of the length of the rental assistance.

*Rental adjustment.* Sub-recipients must re-evaluate the eligibility of the program participant and the amount of assistance annually. All re-evaluations must be documented in writing and establish that the program participant does not have an annual income that exceeds 30 percent of area median income. For the purposes of re-evaluation of eligibility, sub-recipients must document any changes in the program participant income or other circumstances such as changes in the participant's household composition.

- f. Standards for determining the type, amount, and duration of housing stabilization and/or relocation services to provide 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 receives assistance; or the maximum number of times the program participant may receive assistance.**

Under housing relocation and stabilization services, financial assistance and services costs are subject to the general conditions under (576.103 and 576.104)

#### **Housing relocation and stabilization services for prevention and rapid re-housing**

*Rental application fees.* Sub-recipients must have established written policies determining the provision of this assistance. The policies must be in compliance with HUD requirements. All rental application fee assistance to eligible individual or family program participants must be appropriately documented. *See 576.105 (1).*

*Security deposits.* Must be in compliance with HUD requirements. All deposits must be equal to no more than 2 months' FMR based rent, appropriately documented and must have been calculated in the program participant's rental assistance. *See 576.105 (2).*

*Last month's rent.* Must be based on sub-recipient written policies and must be in compliance with HUD requirements. When last month's rent assistance is provided, it must not exceed one month FMR-based rent, appropriately documented and must have been calculated in the program participant's total rental assistance which cannot exceed 24 months in any three-year period. *See 576.105 (3).*

*Utility deposits.* Must be in compliance with HUD requirements. All utility deposit payments to eligible program participants shall not exceed 24 months within any three-year period. See 576.105 (4).

*Utility Payments.* Must be in compliance with HUD requirements. All utility payments to eligible program participants shall not exceed more than 24 months within any three-year period. If needed, sub-recipients can make up to six months of utility payment arrearages per program participant. A partial payment of a utility bill must be considered as one month's assistance. This assistance may only be provided if the program participant or a member of the same household has an account in his or her name with a utility company or proof of responsibility to make utility payments. Eligible utility services are gas, electric, water and sewage. See 576.105 (5).

*Moving Costs.* Must be in compliance with HUD requirements. All moving costs must be executed consistent with sub-recipient written and documented policies. Eligible moving costs are truck rental, hiring a moving company, etc. In case of the payment of temporary storage fees, payments up to three months' costs are eligible. Eligible participants must have accrued the determined fees after the date of entry in the program and before entry in permanent housing. The payment of arrearages is not eligible.

*Housing search and placement.* For all housing search and placement activities, sub-recipients must include: assessment of housing barriers, needs and preferences; development of an action plan for locating housing; housing search; outreach to and negotiation with owner; assistance with submitting rental applications and understanding leases; assessment of housing to ensure compliance with ESG requirements for habitability, lead-based and rent reasonableness; assistance with obtaining utilities and making moving arrangements; tenant counseling.

*Housing stability case management.* Must be in compliance with HUD requirements and must include all required activities to ensure and maintain stability in permanent housing. Permanent housing search and placement assistance cannot exceed 30 days. If the program participant is living in permanent housing, any housing stability case management activity cannot exceed 24 months.

### **Performance Standards**

Measures include how KHC will evaluate each ESG service provider's effectiveness in:

- A. Targeting those who need the assistance most,
- B. Reducing the number of people living on the streets or in emergency shelters
- C. Shortening the time people spend in homelessness

- D. Reducing each program participant's housing barriers or housing stability risks.
- E. Analyzing Program Outcomes

All standards are aligned with the HEARTH Act standards

### **HOME Program Recapture Provisions**

HOME funds are administered by Recipient Agencies statewide. Recipient Agencies will advise clients prior to committing HOME funds that Recapture Provisions will apply. KHC requires Recipient Agencies to utilize Recapture Provisions for any application that is received through the competitive funding process. The HOME funding agreement, which is executed with each Recipient Agency, contains the following language:

#### **Recapture Provisions -**

All Recipient Agencies receiving an allocation of HOME funds to undertake homebuyer activities will be required to utilize the recapture provision as described by the HOME regulations at *24 CFR 92.254(a)(ii)(A)(2) - Reduction During the Affordability Period*. This provision will be enforced by including appropriate language in the HOME written agreement with the homebuyer, mortgage documents, and lien documents. The initial homebuyer must reside in the home as his/her principal residence for the duration of the period of affordability.

In the event the homebuyer transfers the property, either voluntarily or involuntarily, during the period of affordability, KHC or the Recipient Agency 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: downpayment and closing cost assistance, interest subsidies, and 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 Recipient Agency 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 Recipient Agency 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.

**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

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).

- 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 ⅝" 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.



**Commonwealth of Kentucky**  
**2025 ANALYSIS OF  
IMPEDIMENTS TO FAIR  
HOUSING CHOICE**

April 2025

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# Introduction & Executive Summary of the Analysis

## WHY THE AI WAS DEVELOPED

Kentucky Housing Corporation (KHC) and the Kentucky Department for Local Government (DLG) prepared this Analysis of Impediments to Fair Housing Choice (AI) to satisfy the requirements of the Housing and Community Development Act of 1974, as amended, which requires that any unit of government receiving funds through the U.S. Department of Housing and Urban Development (HUD) affirmatively further fair housing. The Commonwealth of Kentucky is an entitlement state and receives annual allocations through HUD's Community Development Block Grant (CDBG), received by DLG, and HOME Investment Partnerships (HOME) and Emergency Solutions Grant (ESG) programs, received by KHC.

On March 3, 2025, HUD published the Interim Final Rule (IFR) to issue new guidance on a HUD grantee's obligation to affirmatively further fair housing and to give "local communities maximum flexibility in designing and implementing sound policies responsive to unique local needs." This document was created to meet this guidance.

The AI analyzes the trends and conditions that identify the racially and ethnically concentrated areas of poverty (R/ECAP); the degree to which state policies, programs, and statutes have expanded or restricted housing choice for members of the protected classes; any impediments to fair housing choice based on the analyses conducted; and a series of recommended strategies that, if implemented, will work toward eliminating the impediments.

## FEDERAL FAIR HOUSING LAWS

All municipalities in the United States, including the Commonwealth of Kentucky, are subject to the Fair Housing Act, administered and enforced by HUD, and other federal housing laws such as the Housing for Older Persons Act of 1995 (HOPA) and the Fair Housing Amendments Act (FHAA).

### Fair Housing Act

In 1968, Congress passed the Civil Rights Act after years of advocacy in the United States against overt discrimination and segregation in the sale and rental of housing based on race, national origin, skin color, gender, and religion. The 1988 FHAA added additional protections for familial status (e.g., women who are pregnant or the presence of children under 18 years of age) and disability.

The Fair Housing Act applies to almost any person or group involved with housing in the United States including landlords, realtors, homeowners' associations (HOAs), mortgage lenders, and homeowners' insurance companies. Under the Fair Housing Act, it is illegal to discriminate on the basis of race, religion, color, sex, national origin, familial status, or disability. The following

are examples of actions that are violations of the Fair Housing Act when made on the basis of protected class:

- Refusing to rent or sell housing.
- Refusing to negotiate for housing.
- Otherwise making housing unavailable.
- Setting different terms, conditions, or privileges for the sale or rental of a dwelling.
- Providing a person with different housing services or facilities.
- Falsely denying that housing is available for inspection, sale, or rental.
- Making, printing, or publishing any notice, statement, or advertisement with respect to the sale or rental of a dwelling that indicates any preference, limitation, or discrimination.
- Imposing different sales prices or rental charges for the sale or rental of a dwelling.
- Using different qualification criteria (such as different procedures, documents, or information) for rental standards, applications, income standards, application requirements, application fees, credit analyses, sale approval, or rental approval.
- Evicting a tenant or a tenant's guest.
- Harassing a person.
- Failing or delaying performance or maintenance or repairs.
- Limiting privileges, services, or facilities of a dwelling.
- Discouraging the purchase or rental of a dwelling.
- Assigning a person to a particular building, neighborhood, or section of a building or neighborhood.
- For profit, persuading or trying to persuade homeowners to sell their homes by suggesting that people of a particular protected characteristic are about to move into the neighborhood. (This is referred to as "blockbusting.")
- Refusing to provide or offering different terms or conditions of homeowner's insurance because of the race, color, religion, sex, disability, familial status, or national origin of the owner and/or occupants of a dwelling.
- Denying access to or membership in any multiple listing service or real estate brokers' organization.
- Refusing to make a mortgage loan or provide other financial assistance for a dwelling.
- Refusing to provide information regarding loans.
- Imposing different terms or conditions on a loan, such as different interest rates, points, or fees.
- Offering different appraisal outcomes based on a protected class.
- Conditioning the availability of a loan on a person's response to harassment.

- Refusing to purchase a loan.

Under the Fair Housing Act, it is also illegal to threaten, coerce, intimidate, or interfere with anyone exercising a fair housing right or assisting others who exercise the right or retaliate against a person who has filed a fair housing complaint or assisted in a fair housing investigation.

Certain types of housing are exempt from federal fair housing laws, such as owner-occupied buildings with four or fewer units, single-family homes sold or rented by the owner without an agent, and housing operated by religious organizations or private clubs that are limited to members.

Some examples of housing practices that violate the Fair Housing Act include the following:

- The manager of an apartment complex restricts families with children to only one section of the building.
- A landlord offers a discount on application fees to applicants who attended a specific high school.
- A realtor lies about a home having a pending offer when showing it to a couple who do not speak English proficiently.
- An apartment manager runs a credit check on applicants under 30 years old but not on older applicants.

### Housing for Seniors

The 1995 HOPA created an exception to Title VIII of the Fair Housing Act to allow for housing developments for seniors (referred to as "older persons" in the law). HOPA offers exceptions to discrimination based on family status for housing specifically designed for elderly individuals. To qualify for this exception, the housing must meet certain criteria and comply with all HOPA exemption requirements. The housing may be provided under a state or federal program designed to assist elderly persons or intended for and solely occupied by those at least 62 years old. Alternatively, the housing may be intended and operated for occupancy by those who are at least 55 years old, with at least 80 percent of the units having at least one occupant verified to be 55 years of age or older.

All other Fair Housing Act protections apply to housing for seniors including the prohibition of discrimination on the basis of race, color, religion, sex, disability, or national origin.

### Fair Housing Amendments Act

The FHAA, signed in 1988, amended the Fair Housing Act to include persons with disabilities as a protected class and added additional regulations for policy accommodations and building modifications.

Under the FHAA, a person with a disability includes individuals with a physical or mental impairment that substantially limits one or more major life activities, individuals who are regarded as having such an impairment, and individuals with a record of such an impairment. "Major life activities" include walking, seeing, caring for oneself, hearing, speaking, breathing, learning, and working. Disabilities may also include mental or emotional illness, difficulties associated with aging, HIV/AIDS, and recovering from alcohol or drug addiction (completing a treatment program).

If a person requires the use of a walker, a wheelchair, a personal-care attendant, or a service animal to live in and enjoy housing in a way that is equivalent to a person without a disability, they are protected from housing discrimination.

An "accommodation" is a change in any rule, policy, procedure, or service needed for a person with a disability to have equal access to and enjoyment of their home. For example, allowing a service animal despite a "no pets" policy, or allowing a tenant to mail in a rent check when others must physically deliver checks to a drop box.

A "modification" is a structural change made to the existing premises occupied or to be occupied by a person with a disability to afford such person full enjoyment of the premises. A ramp installed into the front entrance of a house where there are only stairs, changing doorknobs to levers for someone with a mobility disability, or allowing a tenant with hearing impairment to install visual doorbells are all examples of reasonable modifications.

Like other housing discrimination laws, protections for people with disabilities apply to rental and owner-occupied housing, government zoning and other land-use planning, and HOAs.

## **COMMONWEALTH OF KENTUCKY FAIR HOUSING LAWS**

The Commonwealth of Kentucky enforces the tenets of the Fair Housing Act. The Kentucky General Assembly broadened the law to prohibit discrimination in housing on the basis of disability, gender, and familial status. Several municipalities have further expanded fair housing protections on the basis of sexual orientation. Those cities include Covington, Danville, Frankfort, Lexington, Louisville, Morehead, and Vicco.

## **PARTICIPANTS**

As the lead agencies in the preparation of the AI, KHC and DLG were committed to an extensive outreach process to solicit input from residents and stakeholders. Outreach initiatives included remote stakeholder meetings and an online survey. Virtual stakeholder meetings were held on the following dates:

- Kentucky Fair Housing Council: September 24, 2024
- Kentucky Commission on Human Rights: October 8, 2024
- Kentucky Disability Rights Advocates: October 18, 2024

The Citizen Participation Appendix describes all of the extensive outreach activities and provides lists of all organization attendees and summaries of all meetings held in conjunction with the outreach conducted for both the FY 2025-2029 Consolidated Plan and the AI.

## **ONLINE SURVEY**

As part of the public outreach and engagement for the development of the Consolidated Plan, a survey was developed in Survey Monkey. These online web-based surveys sought to gather additional input from stakeholders and community participants for the purpose of identifying priority needs in the 2025-2029 Consolidated Plan and served as an opportunity for respondents to provide feedback on existing community conditions throughout the Commonwealth of Kentucky. The survey asked respondents to identify, rank, and provide commentary on community needs, including issues related to fair housing. 184 stakeholders responded to the survey. The following is a summary of the fair housing survey responses.

## **STAKEHOLDER SURVEY RESPONSES – FAIR HOUSING**

### **Agency Capacity Regarding Fair Housing**

Overall, organizations responding to the survey indicated a high level of understanding regarding the steps to request reasonable accommodations and file a fair housing complaint. Organizations indicated that the best way to increase fair housing is to increase both the number of affordable units and fair housing education within the community.

- **Fair Housing Training (n=136)**
  - 65 percent of organizations have participated in fair housing training in the last three years.
  - 11 percent of organizations have not participated in fair housing training in the last three years.
  
- **Knowledge of Fair Housing Protections (n=136)**
  - 53 percent of organizations indicated that they were “very well informed” regarding Fair Housing Act protections.
  - 32 percent of organizations indicated that they were “somewhat informed” regarding Fair Housing Act protections.
  - 13 percent of organizations indicated that they were “a little informed” regarding Fair Housing Act protections.
  - Three percent of organizations indicated that they were “not at all informed” regarding Fair Housing Act protections.
  
- **Requesting Reasonable Accommodations (n=134)**
  - 73 percent of organizations indicated that they know how to request a reasonable accommodation for housing.
  - 27 percent of organizations indicated that they do not know how to request a reasonable accommodation for housing.

- **Filing a Fair Housing Complaint (n=135)**
  - 71 percent of organizations indicated that they know how to file a fair housing complaint.
  - 29 percent of organizations indicated that they do not know how to file a fair housing complaint.
- **Strategies Currently Used to Educate the Community on Fair Housing (top five answers) (n=129)**
  - Posting physical copies of materials (57 percent selected).
  - Providing information at time of housing transaction (55 percent selected).
  - Publishing information on the organization's website (30 percent selected).
  - My organization does not conduct outreach on fair housing (22 percent selected)
  - Broadcasting messages to the public (12 percent selected)
- **Fair Housing Activities Organizations Would Like to See More Of (top five answers) (n=130)**
  - Increases in the number of two- and three- bedroom affordable housing units for families with children (70 percent selected).
  - Fair housing education and resources for the public (60 percent selected).
  - Help for people with disabilities to access reasonable accommodations (changes to the rules or policies to allow people with disabilities to live or stay in housing, including service and support animals) (52 percent selected).
  - Fair housing training for program staff or specific groups such as tenants or landlords (50 percent selected).
  - Coordinated reentry services (49 percent selected).

#### Observed Discrimination / Fair Housing Issues

Stakeholders indicate that individuals with a criminal history, although not a protected class, are the most observed discriminated class, and this status is a barrier to renting housing.

Stakeholders emphasize cost as the primary barrier to renting housing. Of note, 75 percent of survey respondents agreed or strongly agreed with the statement that infrastructure contributes to segregation in the community.

- **Protected Classes Facing Discrimination (top three answer choices) (n=133)**
  - Race/ethnicity (59 percent selected)
  - Disability (53 percent selected)
  - Sexual orientation (41 percent selected)

**Note:** *Criminal history and source of income, although not protected classes under the Fair Housing Act, were identified as potential barriers to fair housing.*

- **Challenges Faced Renting Housing (top five answer choices) (n=133)**
  - Cost of rent (90 percent selected)
  - Cost of a deposit (81 percent selected)
  - Access to housing because of criminal history (77 percent selected)
  - Credit and background screening (68 percent selected)
  - Access to accessible housing (54 percent selected)

- **Infrastructure Contributes to Segregation in the Community (n=135)**

- Strongly agree (39 percent selected)
- Agree (36 percent selected)
- Neither agree nor disagree (18 percent selected)
- Disagree (7 percent selected)
- Strongly disagree (0 percent selected)

#### **Assessment of Residents' Knowledge of Fair Housing**

In contrast to the fair housing knowledge demonstrated in stakeholders' assessment of their own organizations, stakeholders believed that residents are not aware / would not report a fair housing violation. This indicates a need for more awareness and outreach to the community.

- **Residents are Generally Aware of How to Report a Fair Housing Violation (n=135)**

- Disagree (32 percent selected)
- Neither agree nor disagree (27 percent selected)
- Agree (24 percent selected)
- Strongly agree (11 percent selected)
- Strongly disagree (5 percent selected)

- **Residents are Likely to Report a Fair Housing Violation (n=134)**

- Disagree (31 percent selected)
- Neither agree nor disagree (28 percent selected)
- Agree (24 percent selected)
- Strongly disagree (10 percent selected)
- Strongly agree (7 percent selected)

#### **METHODOLOGY USED**

A comprehensive approach was used to complete the AI. The following sources were utilized:

- Most recently available demographic data regarding population, household, housing, income, and employment at the census tract and state levels.
- A variety of online databases provide indicators that reflect local issues, which are based on research that validates the connections between the indicators and increased opportunity in Kentucky.
- Public policies, codes, and statutes affecting the siting and development of housing.
- Administrative policies concerning fair housing, affordable housing, and community development.
- Financial lending institution data from the Home Mortgage Disclosure Act (HMDA) database.
- Data from agencies that provide housing and housing-related services to members of the protected classes.
- Fair housing complaints filed with HUD and the Kentucky Commission on Human Rights.

- Interviews and stakeholder meetings conducted with state agencies and non-governmental organizations that provide housing and housing-related services to members of the protected classes.

## HOW AI WAS FUNDED

The AI was funded by the Commonwealth of Kentucky.

## PROGRESS ACHIEVED SINCE PREVIOUS AI

Kentucky's last AI was completed in 2020 and identified a total of 17 impediments to fair housing choice across six categories. Each impediment and associated recommendation from the 2020 AI are listed below, along with a brief summary of the progress the state has made. Progress achieved since the 2020 AI was provided by KHC and DLG.

**Table 1a: Progress Made Since Last AI: Recommendations for Actions by KHC**

Recommendation	Progress Made
<b>Fair Housing Education and Outreach</b>	
Continue to financially and administratively support bilingual housing counseling and education efforts.	KHC has provided financial and administrative support to bilingual housing counseling and education to the populations KHC serves, including REACH, Inc. (statewide), Brighton Center (northern Kentucky), Kentucky Refugees Ministries (statewide), Louisville Urban League (Jefferson County), Housing Partnership Inc. (Jefferson County), and other similar organizations throughout the Commonwealth that can service limited-English proficiency (LEP) clients. Beyond that, all counseling agencies must have a Language Access Plan to address how they will provide services to LEP clients.
Continue to promote and market the "Simply Homes" exhibit to municipalities and institutions across Kentucky as a vehicle for fair housing education and outreach.	The "Simply Homes" exhibit was halted in part due to COVID-19 and the related restrictions and in part to the subsequent lack of interest in the project.
Continue to collaborate with the Kentucky Commission on Human Rights and Lexington Fair Housing Council, Inc., to expand education and	KHC has maintained a strong working relationship 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 it receives fair housing complaints. It has

Recommendation	Progress Made
outreach efforts and to identify gaps in need of additional efforts.	also collaborated with these groups on how to address fair housing issues when they arise.
Continue the marketing, outreach, and engagement activities with multicultural populations across Kentucky via the Multicultural Customer Service and Outreach Coordinator.	<p>Multicultural Customer Service and Outreach Coordinator is no longer a position at KHC and was incorporated into single family lending through the Mortgage Production Administrators. One focus of this position is to work with lenders and real estate agents who have minority and limited-English-speaking clients.</p> <p>KHC continues to support bilingual Housing Counseling programs, allowing for enhanced outreach efforts to multicultural groups throughout Kentucky.</p>
<b>Expansion and Preservation of Affordable Housing in a Variety of Locations</b>	
Continue to allocate Low-Income Housing Tax Credit (LIHTC) funding to projects that prioritize higher opportunity areas and avoid concentrations of affordable housing.	<p>From 2019-2024, KHC administered LIHTC funds to construct or rehabilitate approximately 76 rental housing developments or single rental units (see Low Income Housing Tax Credit and Qualified Allocation Plan section of this document). Preference for LIHTC assistance is given to high opportunity areas showing strong-performing schools and high job growth.</p> <ul style="list-style-type: none"> <li>• KHC's planning documents have addressed this issue in detail: <ul style="list-style-type: none"> <li>– 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.</li> <li>– KHC's Multifamily Guidelines require 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.</li> </ul> </li> </ul> <p>To continue to discourage high concentrations of affordable housing, the QAP deducts points for new-build projects that are located within a half-mile (for urban projects) and three miles (for rural projects) of another tax credit project that has been</p>

Recommendation	Progress Made
	approved in the previous two years, and which targets the same tenants as the other project.
<p>Continue the Down Payment Closing Cost Assistance Program and the Homebuyer Loan Program for income-eligible homebuyers. Evaluate a preference for low- and moderate-income homeowners in neighborhoods at risk for displacement due to gentrification.</p>	<p>KHC's Down Payment Assistance Program (DAP) has provided a path around affordability barriers to homeownership. Additionally, when it is possible and allowable, KHC has leveraged its DAP with other existing community programs to further expand homeownership access.</p>
<p>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>	<ul style="list-style-type: none"> <li>• KHC has continued to award millions of Affordable Housing Trust Funds (AHTFs) to agencies and subgrantees to support home repairs and to allow homeowners to remain housed. In FY24 alone, KHC awarded \$2,568,835 in the state's AHTF for home repairs, serving more than 123 units.</li> <li>• In FY 24, KHC awarded 20 subgrantees \$15,256,623 in annual weatherization funding and \$15,904,646 from the multi-year Bipartisan Infrastructure Law (BIL) to install energy saving measures in over 440 units to reduce utility costs for homeowners.</li> </ul>
<p>Continue to advocate for affordable housing resources among local, state, and Congressional delegations.</p>	<ul style="list-style-type: none"> <li>• KHC, over the past five years, has actively spoken in front of the Kentucky Legislative Housing Task Force (06/24/2024) and local, state, and Congressional delegations to educate about the housing supply gap and the need for affordable housing</li> <li>• KHC has actively presented Kentucky's housing gap analysis to organizations across the Commonwealth to understand the factors contributing to Kentucky's housing supply gap: <ul style="list-style-type: none"> <li>– Kentucky Legislature Housing Task Force (June &amp; October 2024 presentations)</li> </ul> </li> </ul>

Recommendation	Progress Made
	<ul style="list-style-type: none"> <li>– Kentucky League of Cities (three-part series on housing supply gap &amp; facilitating housing development)</li> <li>– Kentucky Association of Counties (webinar)</li> <li>– City of Berea Planning Commission (presentation at regular meeting)</li> <li>– Kentucky Realtors Association (presentation at their conference)</li> <li>– Kentucky Mortgage Lenders (webinar)</li> <li>– Kentucky Chamber of Commerce (meetings)</li> <li>– Homebuilders Association of Kentucky (presentation at their conference)</li> <li>– Kentucky Cabinet for Economic Development (meetings)</li> <li>– I-71 Economic Development Alliance (presentation at monthly meeting)</li> <li>– EKY Leadership Foundation (presentation at their conference)</li> <li>– DLG Local Issues Conference (presentation at their conference)</li> <li>– Leadership Louisville Bingham Scholars (meetings)</li> <li>– Kentucky Workforce Investment Board (webinar)</li> <li>– Conference of Kentucky Property Valuation Assessors (presentation at their conference)</li> <li>– Kentucky USDA Rural Development State Office (presentation at annual staff meeting)</li> <li>– Kentucky Council of Area Development Districts (presentation at KCADD meeting)</li> <li>– Northern Kentucky Area Development District (ADD) (meeting)</li> <li>– Lincoln Trail ADD (meeting)</li> <li>– Lake Cumberland ADD (meeting)</li> <li>– Kentucky BoS Continuum of Care (CoC) Homeless Shelter &amp; Service Providers (presentation at CoC meeting)</li> <li>– City of Georgetown Network for Homelessness and Housing Solutions</li> <li>– Grantmakers of Kentucky</li> </ul>

Recommendation	Progress Made
	<ul style="list-style-type: none"> <li>– AARP-Kentucky / Center for Accessible Living Universal Design Conference</li> </ul>
<p>Continue the Tenant-Based and Project-Based Rental Assistance Programs to ensure affordable rental assistance for protected classes across the state, including assistance to individuals with disabilities and/or recovering from substance abuse.</p>	<ul style="list-style-type: none"> <li>• 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, those experiencing homelessness, those fleeing or attempting to flee domestic violence, and those recovering from substance abuse. The HOME Tenant-Based Rental Assistance program typically serves households experiencing or at risk of homelessness. The Recovery Kentucky program uses project-based vouchers to support hundreds of individuals recovering from substance abuse. Additionally, KHC's Multifamily department requires all applicants to submit an Affirmative Fair Housing Marketing Plan, Fair Housing Plan, Title VI Self Survey and Statement of Assurance, Section 504 Self-Evaluation, and Tenant Selection Plan that adheres to the Uniform Residential Landlord-Tenant Act (URLTA).</li> </ul>
<p>Continue to seek CoC funding for Rapid Re-Housing (RRH) and permanent supportive housing developments that provide affordable housing options and related services for protected classes.</p>	<ul style="list-style-type: none"> <li>• KHC has increased Permanent Supportive Housing across the Commonwealth from CoC awards and added Housing Connectors to bridge the gap for people experiencing homelessness to find open living spaces and utilize resources. For the first time, the Kentucky Balance of State (BoS) CoC had full RRH coverage across its 118-county region. To continue this ESG-CV built RRH capacity across the CoC, KHC has created an ERA2-funded Homeless Program that invested nearly \$19M of funds for RRH and prevention assistance through the fall of 2025.</li> </ul>
<p>Evaluate tools and methods to connect people to housing, such as housing service locator tools.</p>	<ul style="list-style-type: none"> <li>• KHC created a web-based platform designed for landlord engagement and housing search assistance. The platform is geared toward assisting public housing authorities and homeless services organizations that manage landlord relationships, assist voucher holders in their housing search, and publicize landlord's available properties in real time, for free. This tool supports both the 118-county Kentucky BoS CoC and KHC's HCV program that serves 87 counties.</li> <li>• KHC's goal in creating the platform was to provide partners this user-friendly platform for landlord and property management companies to list vacant units for</li> </ul>

Recommendation	Progress Made
	<p>easy accessibility, communication with potential renters, and quick unit occupancy. All KHC voucher holders (across numerous rent assistance programs) and program case managers are provided with access to Padmission to conduct housing searches across the state. In addition, KHC provides extensive tools to link people to housing, including the Kentucky Resource Guide which provides a link to supportive services in addition to available low-income (affordable) properties throughout the Commonwealth. Also, there are Housing Connectors™ both within KHC and across departments that assist in placing people in search of needed housing.</p>
<p><b>Enforcement of Design and Construction Requirements</b></p>	
<p>Expand the <i>Certification of Compliance with Design Requirements for Accessible Housing</i> 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.</p>	<ul style="list-style-type: none"> <li>• KHC requires all projects to complete a Certificate of Compliance with Design Requirements.</li> <li>• KHC will continue to ensure that contractors will certify that the accessible housing design complies with all applicable accessibility of requirements of the Fair Housing Act, 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.</li> </ul>
<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>	<ul style="list-style-type: none"> <li>• KHC continues to offer a scoring preference for applicants requesting funding in its competitive applications. Specifically, KHC offers points to projects that provide features to enhance a senior's living environment or promote aging in place, including modified kitchens, bathrooms, lighting, and common areas.</li> </ul>
<p><b>Ensure Access to Programs and Services for LEP Populations</b></p>	
<p>Annually update the Language Access Plan to reflect a review of any demographic changes statewide and for each county, and the results of</p>	<ul style="list-style-type: none"> <li>• 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</li> </ul>

Recommendation	Progress Made
monitoring for the effectiveness of the plan's implementation.	guides and aids to assist employees who may interact with persons with limited English proficiency (LEP). Training was conducted with all staff to teach about KHC's LAP and internal resources and increase outreach with LEP populations.
Evaluate collecting preferred language data at time of single-family loan origination to provide improved loan servicing to LEP populations.	<ul style="list-style-type: none"> <li>KHC has been assisting 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 their new Loan Origination System (LOS). KHC can now easily identify the preferred language for its borrowers. KHC recruited several bilingual staff to communicate with borrowers in their preferred languages.</li> </ul>

**Table 1b: Progress Made Since Last AI: Recommendations for Actions by DLG**

Recommendation	Progress Made
<b>Fair Housing and Outreach</b>	
Continue to collaborate with the Kentucky Commission on Human Rights and Lexington Fair Housing Council, Inc., to expand education and outreach efforts.	DLG did not have any new developments in the realm of outreach and education of fair housing. It continues to hold the Governor's Local Issues Conference, during which DLG will consider adding a Fair Housing agenda item. DLG now has a designated "Fair Housing" staff person and holds a fair housing training program for subrecipients.
<b>Expansion and Preservation of Affordable Housing in a Variety of Locations</b>	
Continue to fund eligible applications for housing rehabilitation to preserve the existing affordable housing inventory in Kentucky's smaller communities.	13 percent of DLG's total CDBG allocation is reserved for housing, and it has supported multifamily housing development projects outside of entitlement areas. In 2024, this amounted to \$3,353,572 in funds with a maximum of \$1 million per project.
Continue to fund eligible applications for public infrastructure and public facility projects to improve the quality of life for low- and moderate-income	DLG continues to fund eligible public infrastructure projects in low- to moderate-income communities. The allocation for 2023 for public facilities was \$8,834,662.

Recommendation	Progress Made
households in Kentucky's smaller communities.	
Continue to advocate for affordable housing resources among local, state, and Congressional delegations.	DLG continues to advocate for affordable housing among the legislative task force.
Continue to fund eligible applications for local economic development projects to improve economic mobility and the quality of life for low- and moderate-income households in Kentucky's smaller communities.	DLG's 2023 allocation to economic development initiative was \$5,005,449. DLG gives priority to economic development projects that have the greatest local match and provide job training and job opportunities, as well as microenterprise programs that provide training and assistance for people to start their own small businesses. No economic development projects were closed in 2023.
<b>Ensure Access to Programs and Services for LEP Populations</b>	
Annually update the Language Access Plan to reflect a review of any demographic shifts statewide and for each county, and the results of monitoring for the effectiveness of the plan's implementation.	DLG's Language Access Plan was last updated in June 2023.
<b>Ensure Subrecipient Units of Government Comply with Their Obligation to Affirmatively Further Fair Housing</b>	
Continue the fair housing compliance and monitoring initiatives as part of the CDBG program.	Since the COVID outbreak in 2020, DLG's ability to conduct subrecipient field monitoring has been diminished. All subrecipient requirements remain in place, and DLG monitors performance via subrecipient reporting wherever possible. DLG intends to increase field monitoring over the 2025-2029 Consolidated Plan Cycle and will explore a plan to withhold funding from subrecipients that are found out of compliance.
Adopt a policy to consider denying or withholding funding from applicants	DLG intends to increase field monitoring over the 2025-2029 Consolidated Plan Cycle and will explore a plan to withhold funding from non-compliant subrecipients. Discriminatory behavior will be determined to be in violation of DLG policies.

Recommendation	Progress Made
that have engaged in discriminatory behavior.	

### Summary of Progress

KHC and DLG have made significant progress on most of the impediments and recommendations from the 2020 AI; however, several impediments and recommendations are beyond the jurisdiction of the two agencies. Many of the impediments identified in the 2020 AI remain impediments in 2025 simply because they are socio-economic challenges that have occurred over the course of decades and, therefore, cannot be resolved in five years. Indeed, many of the impediments will be carried forward into the 2025 AI with recommendations that focus on progress that both KHC and DLG can achieve within the limits of their respective agency missions and resources.

# Demographic and Housing Summary

## INTRODUCTION

This section will describe demographic characteristics that affect housing choice among Kentucky residents. It will provide context for existing conditions and pinpoint issues to inform strategies for broadening the availability of housing opportunities. The U.S. Census Bureau's 2022 American Community Survey (ACS) 5-Year Estimates are the most recent and reliable data source available at the time of this report and have been utilized in all cases, as well as 2017 ACS 5-Year Estimates as appropriate to provide comparison.

## KEY CONCLUSIONS

The key conclusions drawn from the demographic and housing summary include the following:

- Population growth plays a key role in local demand for housing. Population grew by four percent from 2012 to 2022, while the number of households increased by 10 percent. The increase in the number of households points to a greater demand for housing. The recent Housing Gap Analysis Phase II report found the greatest influences on the state's overall rental housing gap are *household growth* and households living in severe housing cost-burdened situations.
- Kentucky has continued to become more diverse between 2017 and 2022 with the largest increases occurring among multi-racial and Hispanic persons, though the rate of growth has slowed since the last AI.
- In 2022, 24 percent of total households included at least one person between the ages of 62 and 75, and 11 percent of households included at least one person older than 75. Demand for housing and services for elderly households will continue to grow.
- In both 2017 and 2022, the most common household type was family households with married couples. However, from 2017 to 2022, the number of non-family households grew six percent, while the number of family households increased a nominal amount.
- Foreign-born and LEP households often face additional challenges to obtaining and maintaining housing. From 2017 to 2022, the number of LEP households in the state increased by 17 percent, with Spanish persisting as the most spoken language among LEP residents.
- In 2022, 51 percent of people with a disability had ambulatory difficulty, meaning grab bars, lifts, and other physical modifications may be needed to housing units to ensure access for those with a disability.
- From 2017 to 2022, Black or African Americans continued to experience the highest rate of unemployment among racial and ethnic categories, at three percent above the state's unemployment rate.

- In 2022, Black or African American, American Indian and Alaska Native, Native Hawaiian and Other Pacific Islander, and Hispanic individuals experienced poverty at a higher rate than the state as whole.
- From 2017 to 2022, housing costs increased approximately 14 percent, while homeownership rates among non-White households increased slightly.
- The dissimilarity index indicates that segregation increased in Kentucky from 2017 to 2022, with Asian residents experiencing the greatest levels of segregation.
- Most racially or ethnically concentrated areas of poverty (R/ECAPs) were located in and near urban areas, such as Lexington, Louisville, and Bowling Green.

## POPULATION TRENDS

Between 2010 and 2022, the population of Kentucky increased by 217,107 residents, growing just over five percent over 12 years. As stated in the previous AI, population growth slowed in the 2010s compared to the 2000s, where the growth rate was 7.4 percent.

**Table 2: Change in Population, 2010-2022**

Year	Total Population	Change
2010	4,285,828	-
2017	4,424,376	3%
2022	4,502,935	2%

Source: U.S. Census Bureau, 2010, 2017, 2022 ACS 5-Year Estimates (DP05)

In 2022, approximately 22 percent of the population was younger than 18, while 24 percent of the population was over 65. Children and seniors often require additional supportive services and can be susceptible to housing discrimination on the basis of familial status and age.

**Table 3: Population Under 18 or Over 65**

Year	Total Population	Percentage
Under 18	1,011,480	22%
Over 65	756,439	17%
Over 75	297,780	7%

Source: U.S. Census Bureau, 2022 ACS 5-Year Estimates (DP05)

### Geographic Variation in Population Growth

The Kentucky Association of Counties provides insight into the geographic variation of population growth. The data, which uses U.S. Census Bureau annual estimates, analyses the growth rates and total population of each county from 2020 to 2023. In that time period, six Kentucky counties grew by more than five percent: Robertson, Allen, Lyon, Warren, Spencer, and Garrard. In terms of total population, Warren, Boone, Madison, Scott, and Bullitt Counties added population.

Conversely the population declined by more than five percent in Leslie, Breathitt, and Harlan Counties. In order, Jefferson, Fayette, Pike, Harlan, and Floyd lost the greatest number of people.

According to the data, the ten most populated counties in 2023 were as follows:

1. Jefferson
2. Fayette
3. Kenton
4. Warren
5. Boone
6. Hardin
7. Daviess
8. Madison
9. Campbell
10. Bullitt

### **RACE AND ETHNICITY**

The Commonwealth of Kentucky has continued to diversify from 2017 to 2022. In that period, the number of Black, Asian, Hispanic and Multi-Racial identifying residents increased, while the number of White-identifying residents decreased slightly. Compared to the previous AI, which compared racial data from 2010 to 2017, the growth rate of all racial categories has slowed. In particular, from 2010 to 2017, the number of Hispanic and Asian households doubled. However, from 2017 to 2022 (half of the period analyzed in the previous AI), the growth rate of Hispanic and Asian households was 19 percent and 16 percent respectively. The growth rate of White residents from 2010 to 2017 was four percent, but from 2017 to 2022 this population declined by about one percent.

**Table 4: Change in Race and Ethnicity, 2017-2022**

Race/Ethnicity	2017	2022	Percent Change from 2017-2022
<b>White</b>	3,862,600	3,816,997	-1%
<b>Black</b>	353,088	360,184	2%
<b>Asian</b>	59,593	69,187	16%
<b>Multi-Racial</b>	96,303	189,589	97%
<b>Other</b>	41,197	56,352	37%
<b>Hispanic</b>	152,072	180,481	19%

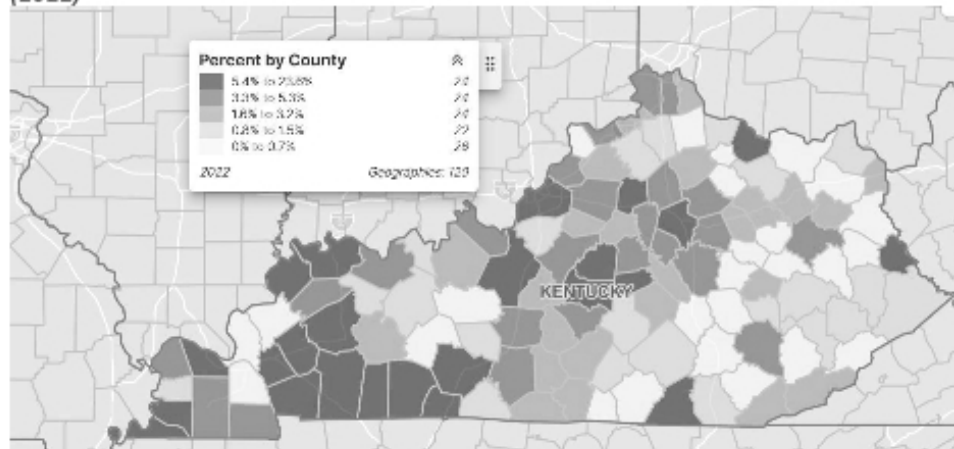
Source: U.S. Census Bureau, 2017, 2022 ACS 5-Year Estimates (DP05)

### Geographic Variation in Race and Ethnicity

The following maps depict the percentage of residents in each Kentucky county identifying as Black or African American, Asian, and Hispanic in 2022. The maps utilize a quantile category system, meaning the data is evenly distributed among the five categories.

Figure 1 depicts the percentage of Black or African American individuals by county in 2022. The map indicates that many counties in the lower Western portion of the state were in the highest quantile of Black or African American residents. Additionally, Jefferson and Fayette Counties, and surrounding counties, also are in the highest two quantiles.

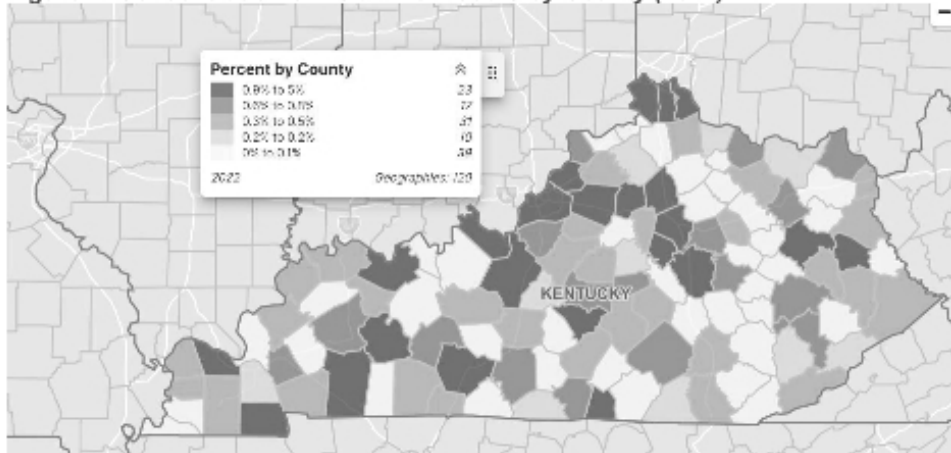
**Figure 1: Concentration of Black or African American Individuals by County (2022)**



Source: U.S. Census Bureau, 2022 ACS 5-Year Estimates (DP05)

Figure 2 depicts the percentage of Asian individuals by county in 2022. Again, the map indicates that the counties of and surrounding Jefferson and Fayette are in the highest quantile of Asian individuals. In addition, the three northernmost counties, Boone, Kenton, and Campbell, are also in the highest quantile.

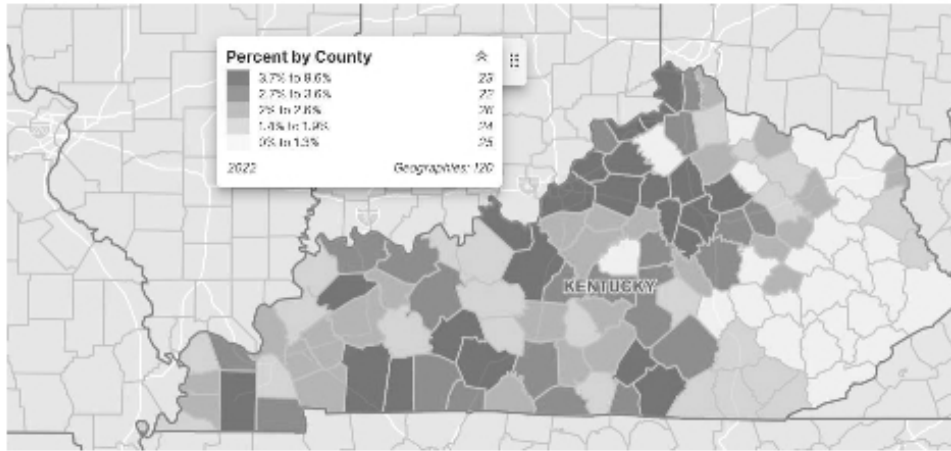
**Figure 2: Concentration of Asian Individuals by County (2022)**



Source: U.S. Census Bureau, 2022 ACS 5-Year Estimates (DP05)

Figure 3 depicts the percentage of Hispanic individuals by county in 2022. Again, the map indicates that the counties of and surrounding Jefferson and Fayette are in the highest quantile of Hispanic individuals. Additionally, most of the counties with the lowest percentage of Hispanic residents (the lowest quantile) exist in the Easternmost part of the state.

**Figure 3: Concentration of Hispanic Individuals by County (2022)**



Source: U.S. Census Bureau, 2022 ACS 5-Year Estimates (DP05)

## ANCESTRY AND NATIONAL ORIGIN

It is illegal to refuse the right to housing based on place of birth or ancestry. This section explores trends in the Commonwealth of Kentucky regarding foreign-born residents.

### Foreign-Born Persons

In 2022, four percent of Kentucky’s population was born outside of the United States. That figure increased slightly since the previous AI, from 3.6 percent in 2017. As identified in the previous AI, the foreign-born population in Jefferson County and Fayette County was higher than the state overall. Notably, the foreign-born population increased by nearly two percent from 2017 to 2022 in Jefferson County.

Table 5 also identifies the poverty rate for foreign-born residents and native residents in 2022. In each jurisdiction, foreign-born residents were more likely to experience poverty. The difference in poverty rate was greatest in Jefferson County, followed by Fayette County.

**Table 5: Characteristics of Foreign-Born Residents**

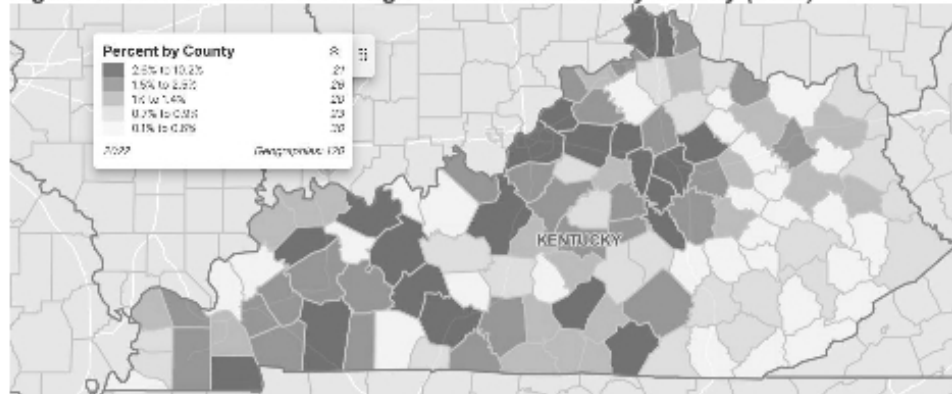
Jurisdiction	Percent Foreign Born	Poverty Rate-Native	Poverty Rate-Foreign Born
<b>Kentucky</b>	4%	16.1%	17.4%
<b>Jefferson County</b>	9%	13.8%	17.6%
<b>Fayette County</b>	10%	14.7%	17.2%

Source: U.S. Census Bureau, 2022 ACS 5-Year Estimates (S0501)

### Residency Patterns of Foreign-Born Population

Foreign-born residents often tend to live in more urban areas, and this is true in Kentucky. As depicted in Figure 4, the counties of and surrounding Jefferson and Fayette had the highest percentage of foreign-born residents in 2022. Additionally, counties in the central and western portions of the state tended to have higher concentrations of foreign-born individuals.

**Figure 4: Concentration of Foreign-Born Individuals by County (2022)**



Source: U.S. Census Bureau, 2022 ACS 5-Year Estimates (DP02)

### Limited English Proficiency

Persons with limited English proficiency (LEP) are defined as persons having a limited ability to read, write, speak, or understand English. HUD uses the prevalence of persons with LEP to identify the potential for impediments to fair housing choice due to their potential inability to understand rental contracts and fair housing protections. Persons with LEP may encounter obstacles to fair housing by virtue of language and cultural barriers within their new environment. It is important that a community recognizes their presence and the potential for discrimination, whether intentional or inadvertent, and establishes policies to eliminate barriers. It is also incumbent upon HUD entitlement communities to determine the need for language assistance and comply with Title VI and the Civil Rights Act of 1964.

From 2017 to 2022, the number of LEP households grew by 17 percent in the state to a total of 24,966 households. Table 6 lists the most common languages spoken by LEP households in 2017 and 2022. In both years, Spanish comprised the greatest share of LEP languages. In that time, the share of Spanish-speakers among LEP households decreased just two percent. The greatest increase occurred among Asian and Pacific Island languages, which increased four percent from 2017 to 2022.

**Table 6: Languages Spoken by LEP Households**

Language Spoken	Percentage of LEP Households (2017)	Percentage of LEP Households (2022)
Spanish	52%	50%
French, Haitian, Cajun	8%	5%
German or West Germanic	3%	3%
Russian, Polish, other Slavic languages	4%	3%
Other Indo-European languages	8%	7%
Korean	4%	2%
Chinese	4%	4%
Vietnamese	3%	3%
Tagalog	1%	1%
Other Asian and Pacific Island languages	7%	11%
Arabic	2%	4%
Other	4%	8%
<b>Total</b>	<b>100%</b>	<b>100%</b>

Source: U.S. Census Bureau, 2022 ACS 5-Year Estimates (B16002)

Table 7 depicts the languages spoken by LEP households in Jefferson and Fayette Counties. Notably, the percentage of LEP households speaking Spanish was 12 percent less than the state average. Chinese, other Asian and Pacific languages, Indo-European languages, and languages not listed comprised the greatest share of LEP households in Fayette County.

**Table 7: Languages Spoken by LEP Households in Jefferson and Fayette Counties**

Language Spoken	Jefferson County	Fayette County
Spanish	56%	38%
French, Haitian, Cajun	6%	4%
German or West Germanic	1%	1%

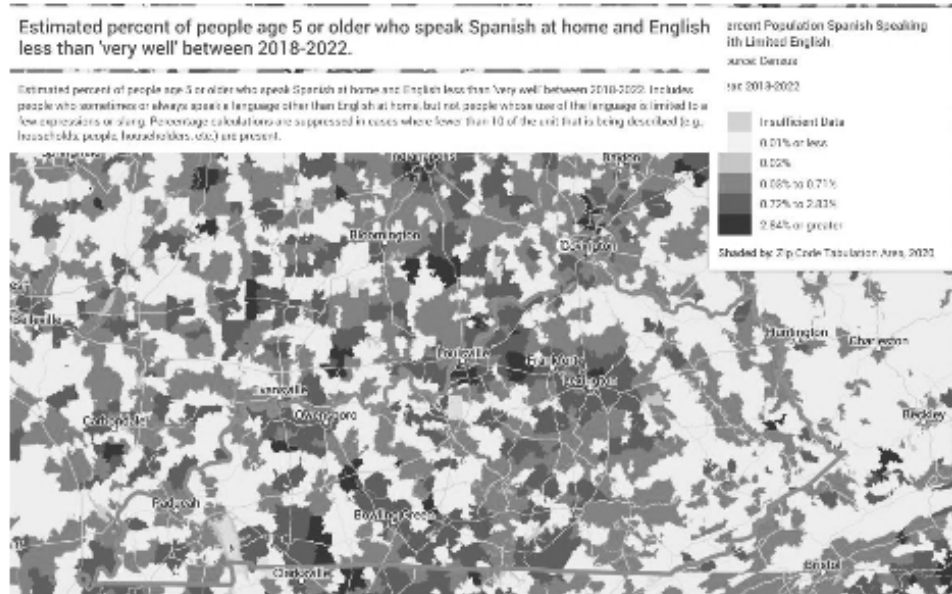
<b>Russian, Polish, other Slavic languages</b>	4%	2%
<b>Other Indo-European languages</b>	6%	10%
<b>Korean</b>	1%	3%
<b>Chinese</b>	2%	10%
<b>Vietnamese</b>	3%	2%
<b>Tagalog</b>	1%	0%
<b>Other Asian and Pacific Island languages</b>	6%	11%
<b>Arabic</b>	4%	5%
<b>Other</b>	9%	15%
<b>Total</b>	<b>100%</b>	<b>100%</b>

Source: U.S. Census Bureau, 2022 ACS 5-Year Estimates (B16002)

#### Geographic Distribution of LEP Residents

Figure 5 depicts the estimated percent of people age five or older who speak Spanish at home and English less than “very well” between 2018 and 2022. The map indicates that areas in and around Louisville, Frankfort, and Lexington had high concentrations of Spanish-speaking LEP households. In addition, a few zip codes in the western portion of the state had high concentrations of Spanish-speaking LEP households.

**Figure 5: Spanish LEP Residents by Zip Code**



Source: PolicyMap (2024)

## DISABILITY

As defined by the Census Bureau, a disability is a long-lasting physical, mental, or emotional condition that can make it difficult for a person to engage in activities such as walking, climbing stairs, dressing, bathing, learning, or remembering. This condition can also impede a person from being able to go outside the home alone or to work at a job or business.

The Fair Housing Act prohibits discrimination based on physical, mental, or emotional disability, provided "reasonable accommodation" can be made. This may include changes to address the needs of persons with disabilities, such as adaptive structural changes (e.g. constructing an entrance ramp) or administrative changes (e.g. permitting the use of a service animal).

In 2022, 17.2 percent of Kentucky residents had a disability. This number was similar to that in 2017, or 17.3 percent. Table 8 depicts the number of people with a disability at different ages in 2022. Most people with disabilities were between ages 35 to 64 (42 percent), while 37 percent of people with disabilities were over the age of 65.

**Table 8: Disability Rates by Age**

Population with a Disability	# Individuals with a Disability	% Population with a Disability
Under 5 years	2,129	0%
5 to 17 years	59,520	8%
18 to 34 years	98,873	13%
35 to 64 years	328,459	42%
65 to 74 years	140,816	18%
75 years or older	148,169	19%
<b>Total</b>	<b>777,966</b>	<b>100%</b>

Source: U.S. Census Bureau, 2022 ACS 5-Year Estimates (S1811)

Table 8 depicts the percentage of people with a certain disability by age group. Among the total population, 51 percent of people with a disability had ambulatory difficulty, while 40 percent had cognitive difficulty. For people 65 years and older, 65 percent of people had ambulatory difficulty. People with ambulatory difficulty likely need additional supportive services and housing considerations such as grab bars, lifts, and other physical modifications to ensure access to housing.

**Table 8: Disability Rates by Type**

Disability Type	Total	Percentage
Total Population	4,502,935	-
With a disability	777,966	-
Hearing difficulty	214,808	28%
Vision difficulty	158,120	20%
Cognitive difficulty	312,066	40%
Ambulatory difficulty	399,110	51%
Self-care difficulty	143,541	18%
Independent living difficulty	270,703	35%
Population under 18	1,011,480	-
With a disability	61,649	-

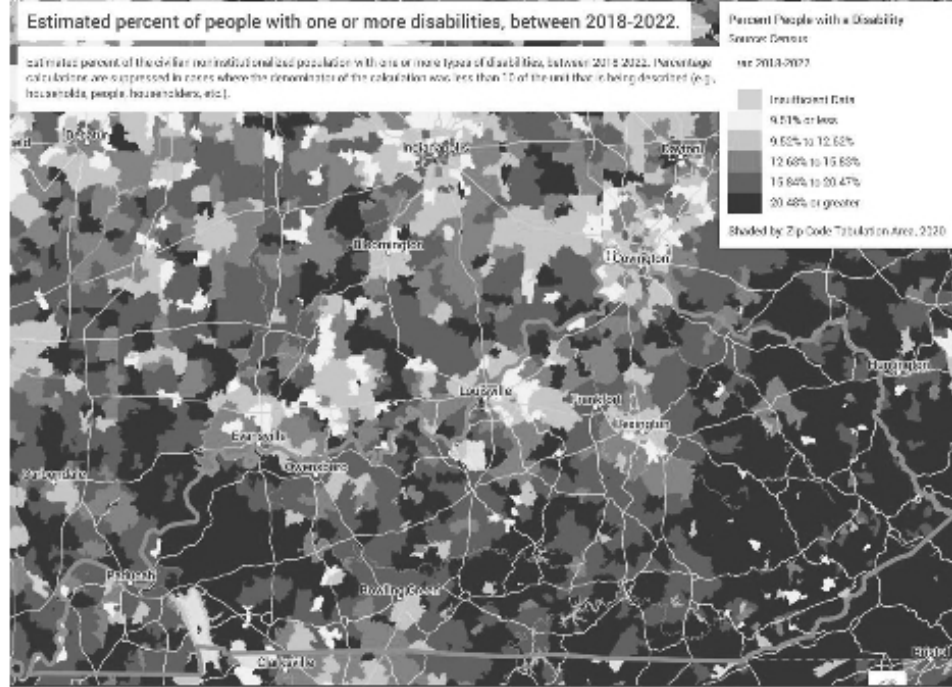
Hearing difficulty	6,985	11%
Vision difficulty	11,845	19%
Cognitive difficulty	46,705	76%
Ambulatory difficulty	6,188	10%
Self-care difficulty	10,209	17%
Independent living difficulty	-	-
<b>Population 18 to 64</b>	<b>2,677,754</b>	<b>-</b>
<b>With a disability</b>	<b>427,332</b>	<b>-</b>
Hearing difficulty	83,326	19%
Vision difficulty	88,453	21%
Cognitive difficulty	193,074	45%
Ambulatory difficulty	205,105	48%
Self-care difficulty	70,828	17%
Independent living difficulty	156,197	37%
<b>Population 65 years and older</b>	<b>756,439</b>	<b>-</b>
<b>With a disability</b>	<b>288,985</b>	<b>-</b>
Hearing difficulty	124,497	43%
Vision difficulty	57,822	20%
Cognitive difficulty	72,287	25%
Ambulatory difficulty	187,817	65%
Self-care difficulty	62,504	22%
Independent living difficulty	114,506	40%

Source: U.S. Census Bureau, 2022 ACS 5-Year Estimates (S1810)

#### Geographic Distribution of People with a Disability

Figure 6 depicts the estimated percent of people with one or more disabilities in the state, utilizing data from 2018 to 2022. As illustrated in the map, many zip codes had more than 15.84 percent of residents living with a disability. Many zip codes in the eastern portion of the state had the greatest disability percentage, at 20.48 percent or higher.

**Figure 6: People with One or More Disabilities by Zip Code**



Source: PolicyMap (2024)

### Income and Disability Status

Oftentimes, people with disabilities earn less than people without disabilities. Table 10 presents the median earnings and poverty rate for people with disabilities and people without disabilities in 2022. In 2022, the poverty rate was over double for people with disabilities compared to people without disabilities. People with disabilities earned, on average, over \$10,000 less than those without a disability.

**Table 10: Median Earning and Poverty Rates for People with Disabilities**

	With a Disability	Without a Disability
<b>Median earnings</b>	\$26,099	\$38,317
<b>People living below poverty level</b>	25%	12%

Source: U.S. Census Bureau, 2022 ACS 5-Year Estimates (S1811)

## FAMILIES WITH CHILDREN

The Census Bureau divides households into family and non-family households. Family households are married couple families with or without children, single-parent families, and other families made up of related persons. Non-family households are either single persons living alone, or two or more non-related persons living together.

Title VIII of the Civil Rights Act of 1968 protects against gender discrimination in housing. Protection for families with children was added in the 1988 amendments to Title VIII. Except in limited circumstances involving elderly housing and owner-occupied buildings of one to four units, it is unlawful to refuse to rent or sell to families with children.

In both 2017 and 2022, the most common household type was family households with married couples. However, from 2017 to 2022, the number of non-family households grew six percent, while the number of family households increased a nominal amount. Among non-family households, the “other non-family” category, which accounts for roommates and other non-related persons living together, increased 13 percent. From 2010 to 2017, that category increased by just 1.6 percent. This could signify a shift in housing makeup and may be reflected in the housing needs in the next five years.

**Table 11: Households by Family Type (2017 to 2022)**

-	2017		2022		Change from 2017-2022	
	Number	Percent	Number	Percent	Number	Percent
<b>Household Type</b>						
<b>Family households</b>	1,136,917	66%	1,142,472	65%	5,555	0%
<b>Married couples</b>	837,485	74%	838,364	73%	879	0%
<i>with children</i>	312,222	37%	309,536	37%	(2,686)	-1%
<b>Single female</b>	216,357	19%	213,879	19%	(2,478)	-1%
<b>Single male</b>	83,075	7%	90,229	8%	7,154	8%
<b>Non-family households</b>	587,597	34%	626,630	35%	39,033	6%
<b>Living alone</b>	489,398	83%	513,804	82%	24,406	5%
<b>Other non-family</b>	98,199	17%	112,826	18%	14,627	13%
<b>Total households</b>	1,724,514	100%	1,769,102	100%	44,588	3%

Source: U.S. Census Bureau, 2017, 2022 ACS 5-Year Estimates (DP02)

## INCOME, UNEMPLOYMENT, AND POVERTY

Income, unemployment, and poverty, particularly as it relates to protected classes, provides insight into the housing and service needs of Kentucky residents.

### Household Income

Household income is strongly related to housing choice, as household income is one of several factors used to determine eligibility for a home mortgage loan or rental lease. Additionally, lack of income inherently reduces the number of options a household has over where to live.

In 2022, the average household income was \$33,515, which was eight percent higher than 2017 (adjusted for inflation to 2022 levels). Table 12 presents inflation adjusted household incomes by race and ethnicity in 2022. Across the listed categories, Asian households were the only category whose household income increased less than the overall household income (five percent). Multi-racial households experienced a 44 percent increase in household income.

**Table 12: Household Income by Race and Ethnicity**

-	Household Income		Percent Change 2017-2022
	2017	2022	
<b>White</b>	\$32,415	\$34,989	8%
<b>Black</b>	\$22,992	\$26,052	13%
<b>Asian</b>	\$36,829	\$38,580	5%
<b>Multi-racial</b>	\$14,568	\$20,958	44%
<b>Other race</b>	\$17,065	\$20,351	19%
<b>Hispanic</b>	\$19,926	\$21,922	10%
<b>Overall</b>	\$31,167	\$33,515	8%

Source: U.S. Census Bureau, 2017, 2022 ACS 5-Year Estimates (S1902)

### Unemployment Rates by Race

The unemployment rate in Kentucky in 2022 was 5.1 percent, which is 1.7 percent lower than the 2017 unemployment rate. Table 13 presents the unemployment rate for different race and ethnicities and gender. Among all categories, the unemployment rate decreased from 2017. According to both 2017 and 2022 estimates, Black or African American households experienced the greatest unemployment, approximately three percent higher than the overall unemployment rate in both 2017 and 2022.

**Table 13: Unemployment Rates by Race and Ethnicity and Gender**

-	Total Labor Force	Unemployed Individuals	Percent Unemployed
<b>By Sex</b>			
<b>Male</b>	1,015,757	49,772	4.9%
<b>Female</b>	902,698	40,621	4.5%
<b>By Race/Ethnicity</b>			
<b>White</b>	1,823,398	85,700	4.70%
<b>Black</b>	180,723	15,181	8.40%
<b>Asian</b>	36,602	1,281	3.50%
<b>Hispanic</b>	85,477	3,846	4.50%

Source: U.S. Census Bureau, 2022 ACS 5-Year Estimates (S2301)

### Poverty Rates

In 2022, the overall poverty rate in Kentucky was 16 percent, which represents a 2.3 percent decrease from the poverty rate in 2017. Table 14 depicts the poverty rate in 2022 for different races and ethnic categories. Compared to 2017 data, poverty rates decreased among all racial and ethnic groups. In 2022, Black or African American, American Indian and Alaska Native, Native Hawaiian and Other Pacific Islander, and Hispanic individuals experienced poverty at a higher rate than the statewide poverty rate.

**Table 14: Poverty Rates by Race and Ethnicity**

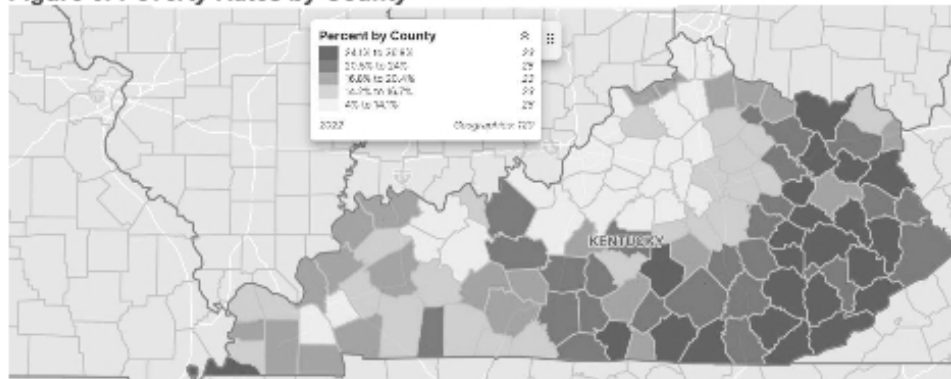
Race and Ethnicity	Total Population		People in Poverty		Poverty Rate
	#	%	#	%	
<b>White alone</b>	3,715,155	85%	554,153	79%	15%
<b>Black or African American alone</b>	342,139	8%	86,875	12%	25%
<b>American Indian and Alaska Native alone</b>	6,241	0%	1,436	0%	23%
<b>Asian alone</b>	67,773	2%	8,095	1%	12%
<b>Native Hawaiian and other Pacific Islander alone</b>	3,554	0%	670	0%	19%

Race and Ethnicity	Total Population		People in Poverty		Poverty Rate
	#	%	#	%	
Some other race alone	54,337	1%	13,029	2%	24%
Two or more races	183,550	4%	40,500	6%	22%
Hispanic or Latino origin (of any race)	174,025	4%	39,936	6%	23%
White alone, not Hispanic or Latino	3,649,957	83%	540,302	77%	15%
<b>Total</b>	<b>4,372,749</b>	<b>100%</b>	<b>704,758</b>	<b>100%</b>	<b>16%</b>

Source: U.S. Census Bureau, 2022 ACS 5-Year Estimates (S1701)

Figure 6 depicts county poverty rates in 2022. Overwhelmingly, the counties with the highest concentrations of poverty are located in the eastern portion of the state. As was also identified in the previous AI, rural poverty remains an issue in the Appalachian region of the state.

**Figure 6: Poverty Rates by County**



Source: U.S. Census Bureau, 2022 ACS 5-Year Estimates (SS1701)

## HOUSING TENURE, HOUSEHOLD SIZE, AND UNIT SIZE

Understanding the dynamics of housing tenure and size provides insight into the housing needs of Kentucky residents.

### Housing Tenure

Table 15 depicts the percentage of renter and owner households by race and ethnicity in 2017 and 2022. In that period, homeownership rates decreased slightly among White households and increased slightly among non-White households.

**Table 15: Housing Tenure by Race and Ethnicity**

Householder Race/Ethnicity	2017				2022			
	Owner-Occupied	Renter-Occupied	Percent Owner-Occupied	Percent Renter-Occupied	Owner-Occupied	Renter-Occupied	Percent Owner-Occupied	Percent Renter-Occupied
<b>White</b>	1,081,378	454,248	94%	80%	1,107,539	428,283	92%	76%
<b>Black</b>	49,899	86,173	4%	15%	53,662	87,981	4%	16%
<b>Asian</b>	9,263	9,108	1%	2%	11,964	10,820	1%	2%
<b>Multi-Racial</b>	10,234	10,173	1%	2%	25,689	26,176	2%	5%
<b>Other</b>	2,619	7,017	0%	1%	5,013	9,008	0%	2%
<b>Hispanic</b>	13,849	25,145	1%	4%	20,034	28,763	2%	5%
<b>All Occupied Units</b>	1,155,576	568,938	100%	100%	1,205,067	564,035	100%	100%

Source: U.S. Census Bureau, 2017, 2022 ACS 5-Year Estimates (S2502)

### Household Unit Size

Table 16 depicts household size of owners and renters from 2017 to 2022. In both 2017 and 2022, the most common unit size among renters was two bedrooms and the most common size among owners was three or more bedrooms.

**Table 16: Household Unit Size**

	2017				2022			
	Owners		Renters		Owners		Renters	
	#	%	#	%	#	%	#	%
<b>No bedroom</b>	3,133	0%	18,410	3%	3,133	0%	21,039	4%
<b>1 bedroom</b>	19,490	2%	114,364	20%	19,490	2%	116,161	21%
<b>2 bedrooms</b>	196,322	17%	232,260	41%	196,322	16%	229,504	41%
<b>3 or more bedrooms</b>	986,122	85%	203,904	36%	986,122	82%	197,331	35%
<b>Total</b>	1,155,576	100%	568,938	100%	1,205,067	100%	564,035	100%

Source: U.S. Census Bureau, 2017, 2022 ACS 5-Year Estimates (B25042)

### Changes In Household Income Relative to Housing Costs

Table 17 depicts changes in median contract rent and home values from 2012 (adjusted for inflation to 2022 figures). Both home values and rents increased 14 percent in the past decade.

**Table 17: Housing Costs**

	Base Year: 2012	Most Recent Year: 2022	% Change
<b>Median Home Value</b>	\$155,199	\$177,000	14%
<b>Median Contract Rent</b>	\$617	\$705	14%

Source: U.S. Census Bureau, 2012, 2022 ACS 5-Year Estimates (B25058)

Median household income between 2012 and 2022 also increased by 14 percent from 2012 to 2022, adjusted for inflation, indicating that median household income kept pace with the increase in median home value and median contract rent.

## SEGREGATION/INTEGRATION

### Overview of the Analysis

Residential segregation is a measure of the degree of separation of racial or ethnic groups living in a neighborhood or community. Latent factors such as attitudes, or overt factors such as real estate practices, can limit the range of housing opportunities for minorities. A lack of racial or ethnic integration in a community may create other problems such as reinforcing prejudicial attitudes and behaviors, narrowing opportunities for interaction, and reducing the degree to which community life is considered harmonious. Areas of extreme minority isolation often experience poverty and social problems at rates that are disproportionately high. Racial segregation has been linked to diminished employment prospects, poor educational attainment, increased infant and adult mortality rates, and increased homicide rates.

Segregation can be measured using a statistical tool called the dissimilarity index.<sup>1</sup> This index measures the degree of separation between racial or ethnic groups living in a community. Since White residents are the majority in Kentucky, all other racial and ethnic groups were compared to the White population as a baseline. Dissimilarity index scores were determined for each county for Black, Asian, and Hispanic populations as well as an aggregated index comparing the non-White population with the White population.

The index of dissimilarity allows for comparisons between subpopulations (i.e. different races/ethnicities), indicating how much one group is spatially separated from another within a community. In other words, it measures the evenness with which two groups are distributed across the neighborhoods that make up a community. The index of dissimilarity is rated on a scale from 0 to 100, in which a score of 0 corresponds to perfect integration and a score of 100 represents total segregation. According to HUD, a score under 40 is considered low, between 40 and 54 is moderate, and above 60 is high segregation.

### Dissimilarity Index

Overall, Kentucky in 2022 had a moderate level of segregation. Asian residents experienced the highest levels of segregation relative to the Black and Hispanic populations. Levels of segregation among all three minority populations has increased slightly since 2017, with the largest increase accruing among the Asian population. Although these numbers represent the quantifiable levels of segregation in Kentucky, it is important to contextualize this data with qualitative information on the causes of segregation, i.e. immigration patterns, housing markets, etc.

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<sup>1</sup> For a given geographic area, the index is equal to  $Dl = \frac{1}{2} \sum_i^N \left| \frac{a_i}{A} - \frac{b_i}{B} \right|$ , where  $a_i$  is the group population of a sub-region (i.e. census tract),  $A$  is the group population in the whole region,  $b_i$  is the comparison group population in a sub-region, and  $B$  is the comparison group's population in the whole region.

**Table 18: Dissimilarity Index, 2017-2022**

	2017 DI with White Population	2017 Population	2017 % of Total Population	2022 DI with White Population	2022 Population	2022 % of Total Population	Change in DI, 2017-2022
Kentucky							
<b>White</b>	-	3,862,600	87.3%	-	3,816,997	84.8%	-
<b>Black</b>	57.2	353,088	8.0%	59.2	360,184	8.0%	2.0
<b>Asian</b>	57.4	59,593	1.3%	61.6	69,187	1.5%	4.2
<b>Hispanic</b>	43.8	152,072	3.4%	45.8	180,481	4.0%	2.0

Source: U.S. Census Bureau, 2017, 2022 ACS 5-Year Estimates (DP05)

## RACIALLY/ETHNICALLY CONCENTRATED AREAS OF POVERTY

### Overview Of Analysis

HUD defines racially/ethnically concentrated areas of poverty (R/ECAPs) as census tracts with a non-White population of at least 50 percent (and 20 percent outside of metropolitan/micropolitan areas) and a poverty rate that either exceeds 40 percent or is three times the average tract poverty rate for the metropolitan/micropolitan area, whichever is lower. By combining this data, it is possible to determine geographic patterns where there are concentrated areas of poverty among racial/ethnic minorities.

### Identification of R/ECAPs

Given the relatively low non-White population of Kentucky outside of urban areas, applying the HUD definition could potentially overlook areas in need. Therefore, an alternative definition is used in which the thresholds include a census tract with a non-White population that is ten percentage points higher than the statewide non-White average and a census tract with a poverty rate of at least 40 percent. There are 31 census tracts in the state that meet these criteria.

Most R/ECAPs are located in and near urban areas, such as Lexington, Louisville, and Bowling Green, and are HUD formula grantees that receive their own respective federal funds and develop their own AIs. There are also a few scattered census tracts in less populous areas that qualify as R/ECAPS according to this definition in the Covington, Frankfort, Hopkinsville, Madisonville, and Paducah areas. One tract, 9801 in Edmonson County, has a 76 percent poverty rate and 68.8 percent of its population are non-White, making it the only rural R/ECAP tract.

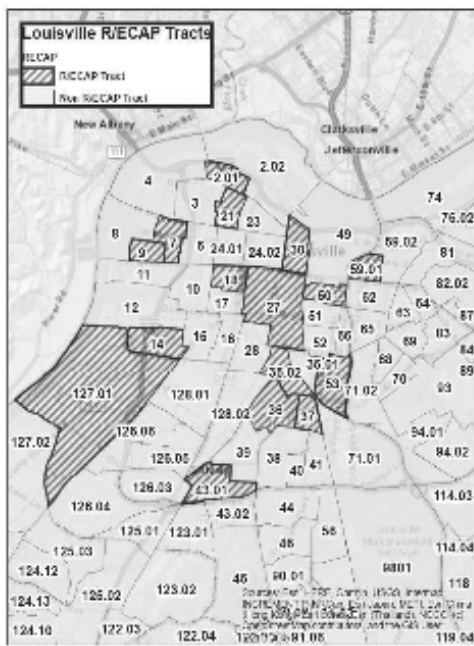
**Table 19: Modified R/ECAP Census Tracts, 2022**

Census Tract	County	Non-White	Poverty
506	Campbell County	32.0%	48.8%
2003	Christian County	42.8%	44.2%
9801	Edmonson County	68.8%	76.2%
8.02	Fayette County	25.5%	45.8%
19	Fayette County	49.3%	52.2%
34.04	Fayette County	49.5%	49.7%
712	Franklin County	36.5%	41.0%
9706	Hopkins County	43.3%	42.3%

Census Tract	County	Non-White	Poverty
2.01	Jefferson County	30.0%	51.8%
7	Jefferson County	93.5%	43.1%
9	Jefferson County	95.2%	53.1%
14	Jefferson County	99.4%	49.6%
18	Jefferson County	97.5%	77.6%
21	Jefferson County	30.9%	43.6%
27	Jefferson County	83.5%	40.9%
30	Jefferson County	84.7%	68.2%
35.02	Jefferson County	78.5%	85.9%
36	Jefferson County	54.9%	44.3%
37	Jefferson County	63.7%	43.4%
43.01	Jefferson County	79.1%	42.8%
50	Jefferson County	49.8%	51.1%
53	Jefferson County	25.7%	40.9%
59.01	Jefferson County	73.6%	60.9%
127.01	Jefferson County	76.6%	46.3%
609	Kenton County	40.5%	40.5%
651	Kenton County	41.2%	45.8%
671	Kenton County	61.9%	45.0%
306	McCracken County	33.6%	41.1%
101	Warren County	31.2%	60.6%
102	Warren County	53.3%	40.6%
103	Warren County	46.6%	56.6%

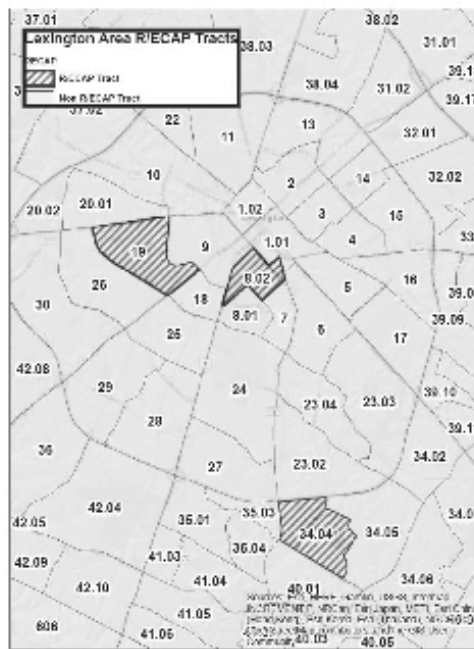
Source: ACS 5-Year Estimates, 2022

Figure 7: R/ECAP Tracts Near Louisville, 2022



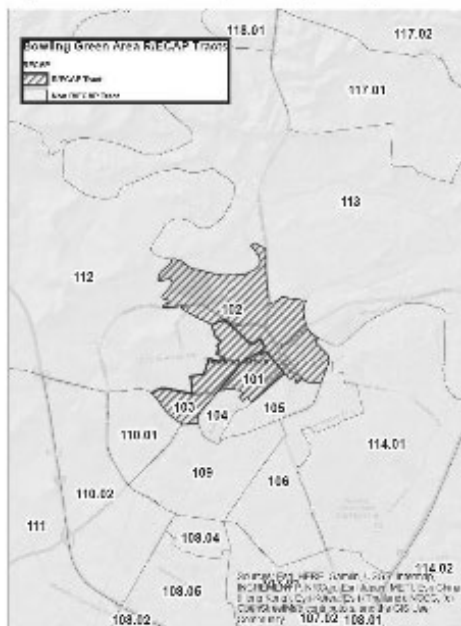
Source: ACS 5-Year Estimates, 2022

Figure 8: R/ECAP Tracts Near Lexington, 2022



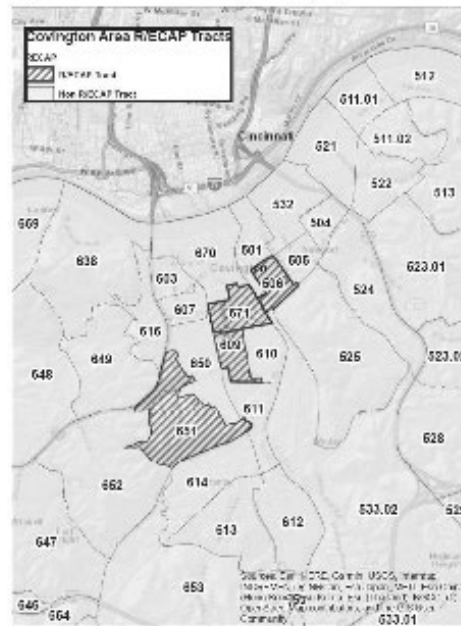
Source: ACS 5-Year Estimates, 2022

Figure 9: R/ECAP Tracts, Bowling Green, 2022



Source: ACS 5-Year Estimates, 2022

Figure 10: R/ECAP Tracts, Covington, 2022



Source: ACS 5-Year Estimates, 2022

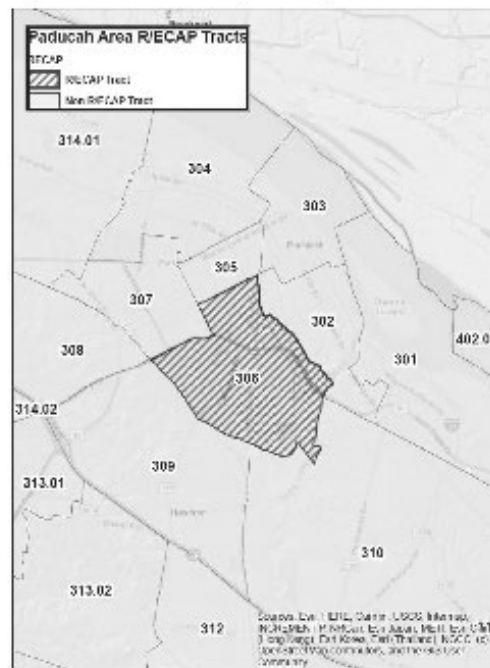


Figure 13: R/ECAP Tracts, Madisonville, 2022



Source: ACS 5-Year Estimates, 2022

Figure 14: R/ECAP Tracts, Paducah, 2022



Source: ACS 5-Year Estimates, 2022

## COMMUNITIES OF OPPORTUNITY

A large body of social research has demonstrated the powerful negative effects of residential segregation on income and opportunity for minority families, which are commonly concentrated in communities characterized by older housing stock, slow growth, and low tax bases – the resources that support public services and schools. Households living in lower-income areas of racial and ethnic concentration have fewer opportunities for education, wealth building, and employment. The rationale for this analysis is to help communities determine where to invest housing resources by pinpointing the areas of greatest existing need. However, current evidence suggests that adding more subsidized housing to places that already have a high concentration of social and economic issues (i.e., R/ECAPs) could be counter-productive and not meet the spirit of the goals of HUD programs. This does not mean, however, that R/ECAPs should be ignored by communities. Residents in R/ECAPs still need services and high-quality places to live and stabilizing and improving conditions in the lowest-income neighborhoods remains a key priority for Kentucky Housing Corporation. Rather, investment should be balanced between existing R/ECAPs (improving the quality of life for residents who want to remain in their neighborhoods) and other communities that offer opportunities and advantages for families and individuals.

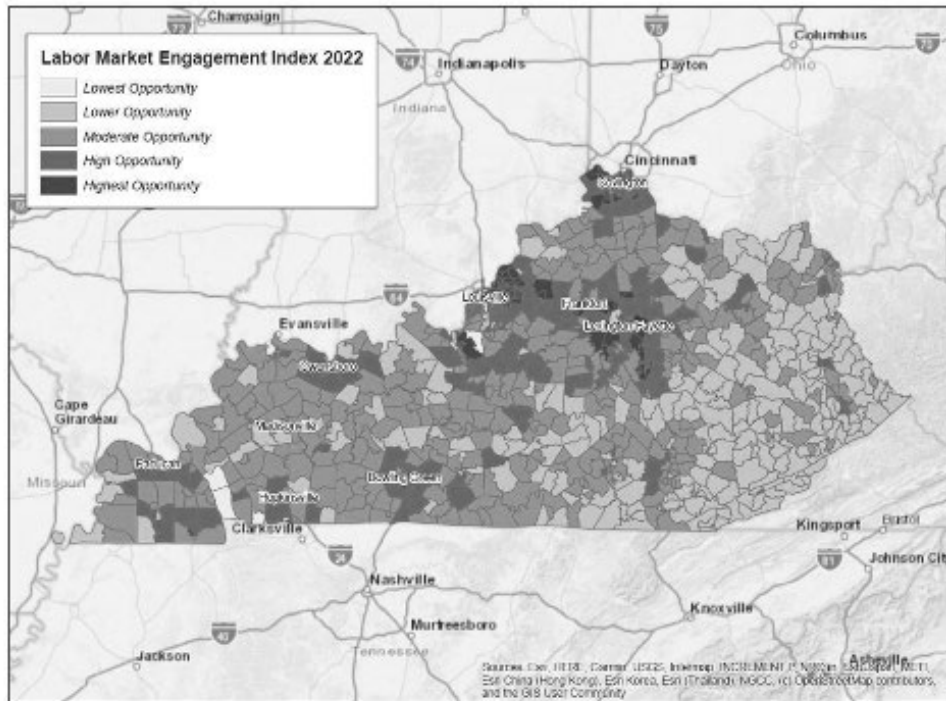
The Communities of Opportunity model is highly spatial and therefore map-based, generating a geographic footprint of inequality. The process of creating opportunity maps involves building a set of indicators that reflect local issues and are also based on research that validates the connections between the indicators and increased opportunity. The resulting maps allow communities to analyze opportunity, comprehensively and comparatively, to communicate who has access to opportunity-rich areas and who does not, and to understand what needs to be remedied in opportunity-poor communities. The combination of identifying R/ECAPs and Communities of Opportunity creates a holistic approach to community investment.

### Labor Market Engagement Index

The Labor Market Engagement Index is a measure of the relative intensity of labor market engagement and human capital. The index is a combination of unemployment rates, labor force participation rates, and percentage of the population with at least a bachelor's degree within a census tract. Employment opportunities are necessary for individuals to afford stable housing. Labor force participation represents the amount of labor resources available for the production of goods and services. The percentage of the population with at least a bachelor's degree is used to estimate the availability of skilled labor.

Areas with higher levels of labor market engagement are found around major metropolitan areas such as Lexington, Louisville, and Covington. These areas tended to have higher levels of education and wealth, and low unemployment rates. Conversely, the lowest rates are found in more rural areas of the state where fewer people have higher levels of education. These areas also tend to have higher rates of poverty.

**Figure 15: Labor Market Engagement Index, 2022**

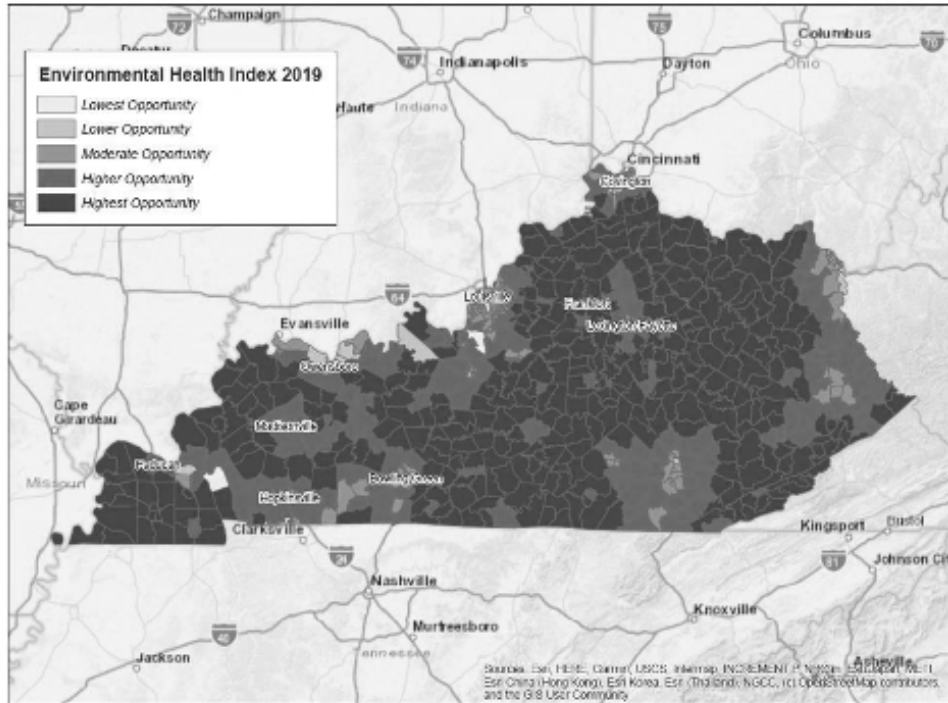


Source: ACS 5-Year Estimates, 2022

### Environmental Health Index

The Environmental Health Index summarizes potential exposure to harmful toxins and access to health insurance and food at the census tract level. Toxins include carcinogenic, respiratory, and neurological hazards. Higher index values indicate less exposure to toxins harmful to human health. Environmental hazards have an adverse effect on children’s growth and development and can limit one’s ability to work. Low-income and minority individuals are also found to be disproportionately affected by environmental hazards, perpetuating the lack of opportunity for vulnerable populations. The lowest environmental health scores are concentrated in metropolitan areas, while rural populations have very low levels of exposure to environmental hazards. Areas with low environmental health scores also tend to have higher levels of poverty and, especially in the case of rural areas, are located far from grocery stores.

**Figure 16: Environmental Health Index, 2019**



### Transit Access Index

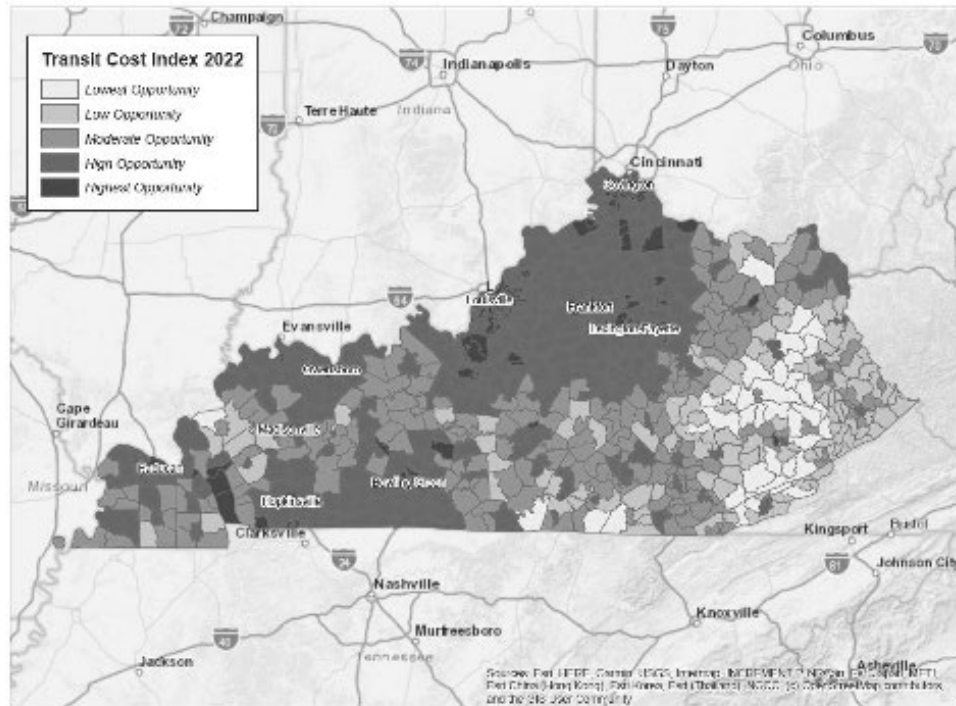
Transit Access represents the ease with which people can access public transportation. According to the Federal Highway Administration (FHWA) under the US Department of Transportation, most people are willing to walk for five to ten minutes to a transit stop. FHWA uses these walking times as a proxy for distance, estimating accessible transit stops being a quarter mile to a half mile away from a pedestrian’s starting point, typically their place of residence. To calculate accessibility, a quarter mile to a half mile buffers were placed around each transit stop to find the percentage of a census tract that is within walking distance to a transit stop. This percentage was averaged to produce the Transit Access Index.

Expectedly, Kentucky’s metropolitan areas have the best access to public transit, in terms of both the number of trips taken and transit cost, in the state. These indices were calculated for the population earning up to 80 percent AMI. Transit opportunity declines as you move further away from the cities where density is lower. Opportunity is lowest in rural areas where transit is unlikely to exist or is very limited, although transit access is not significantly higher for those living in cities. The lack of transit access in more rural areas could constitute a disparity in

opportunity, as these residents may not have the means to own and maintain a private vehicle and have less access to public transportation to reach jobs, doctor's offices, and other essential services.

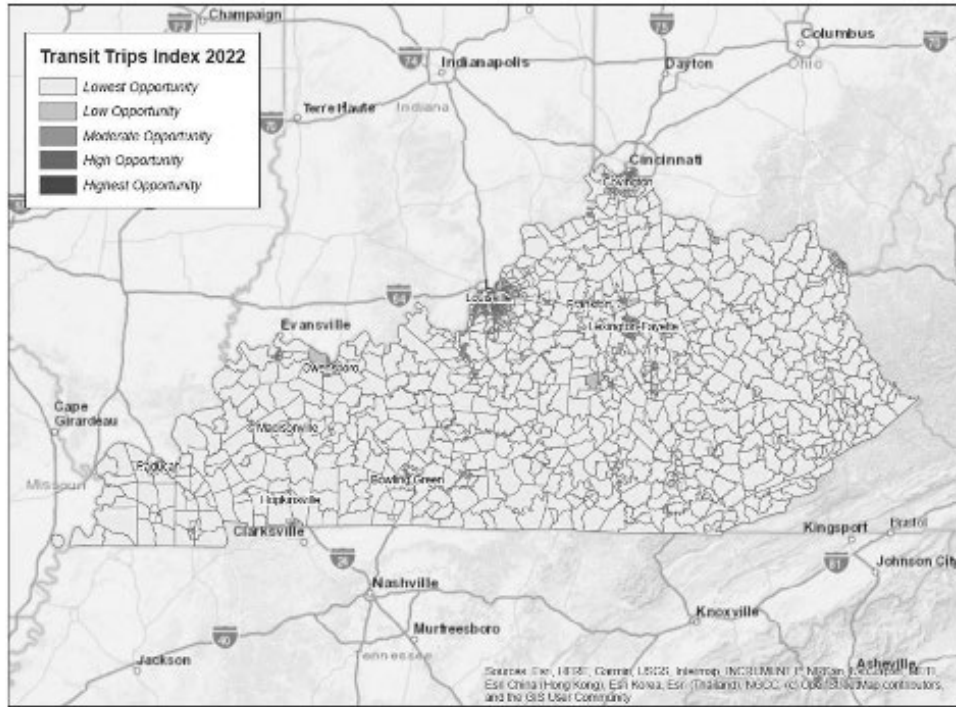
Figure 17 shows that areas of Kentucky with the highest labor market engagement opportunity are in more urban areas with lower transit costs, while Figure 18 shows a higher level of transit trips and corresponding access to resources (jobs, housing, etc.).

**Figure 17: Transit Cost Index 2022**



Source: H+T Index 2022

Figure 18: Transit Trips Index, 2022



Source: H+T Index 2022

## Public Sector Policy Analysis

Impediments to fair housing choice can take many forms. Some policies, practices, and procedures may appear neutral on their face but adversely affect the provision of fair housing in reality. An important element of the AI is an examination of public policies in Kentucky to determine opportunities for reducing obstacles to fair housing and expanding housing choice.

### FEDERAL FUNDING SOURCES AND PROGRAMS

Collectively, the CDBG, HOME, ESG and Housing Opportunities for Persons With AIDS (HOPWA) programs are under the authority of HUD's Community Planning and Development (CPD) division. In addition, since 2016, the state has received a \$3 million annual allocation from the Housing Trust Fund (HTF), also under the authority of HUD. Kentucky also receives annually approximately \$12 million in financing through the federal LIHTC program.

Annually, the state is required to engage the public and stakeholders in the development of its Annual Action Plan to identify the eligible activities it will fund and implement with CDBG, HOME, ESG, and HOPWA funds. In addition, the state undertakes a Consolidated Plan every five years to set priorities and goals for upcoming Annual Action Plans.

This section analyzes the state-level policies in place that guide how Kentucky affirmatively furthers fair housing as part of its planning process and in the implementation of its CDBG, HOME, LIHTC, and HTF programs.

#### Community Development Block Grant Program

The Kentucky DLG administers the CDBG program across the state in conjunction with the KHC. Eligible applicant communities include those that are not direct HUD entitlement grantees. KHC and DLG allocate CDBG resources to address community needs such as housing, economic development, public facilities, and public services. In 2024, the state received \$26.3 million in CDBG funds.

DLG's CDBG Handbook is available online and was reviewed for the previous AI. The handbook includes a statement of non-discrimination, including a statement making known the Department's ability to provide reasonable accommodation for persons with disabilities to participate in all programs, services, and activities. Chapter 7: Fair Housing and Equal Opportunity, along with the associated attachments, was reviewed to better understand DLG's policy. The Department's non-discriminatory statement includes the seven federal protected classes.

As part of the grant agreement to receive state CDBG funding, a sub-recipient must provide assurances to further fair housing and ensure nondiscrimination, such as by maximizing housing choice throughout the jurisdiction; lessening racial, ethnic, and economic concentrations in housing; facilitating desegregation and racially inclusive patterns of occupancy; providing for equal access in HUD-funded properties and programs; and

affirmatively furthering fair housing. Sub-recipients must designate a local fair housing and equal opportunity coordinator, adopt a fair housing resolution, and undertake one or more activities from among a list of 12 initiatives—all of which promote fair housing.

In addition to requiring compliance with the federal Fair Housing Act, state CDBG sub-recipients must also comply with Title VI of the Civil Rights Act of 1964 and KRS 344.015. To achieve this, sub-recipients can either adopt DLG's Title VI Implementation Plan or create one of their own. Furthermore, sub-recipients must ensure that equal opportunities are made available through project site selection, that evaluation criteria and administrative practices are non-discriminatory, that affirmative actions are undertaken to overcome past discriminatory actions, and that EEO and fair housing posters are prominently displayed, among other things. They must also put in place a grievance procedure to handle complaints must be put in place as well.

Specific to housing activities, sub-recipients are required to periodically review the state's AI or adopt their own and maintain compliance. Marketing to LEP populations, selection criteria for program participants, policies for relocation, and legal documents must be reviewed and revised, as needed, to ensure compliance. Section 504 requirements regarding accessibility are imposed, including accessible design and construction features for housing activities. Sub-recipients are required to use DLG's four-factor analysis to ensure meaningful access to LEP populations, and to ensure that LAPs address local LEP data and needs.

DLG provides information on how to file a complaint alleging discrimination, as an online link to HUD Discrimination Form 903.1 (online complaint form). It also provides a substantial list of attachments, several of which are templates for required documents (e.g., local Fair Housing Resolution, Civil Rights Title VI Self-Survey, Policy of Non-Discrimination Section 504 Public Notice, etc.).

DLG monitors its sub-recipients on a periodic basis, although COVID has impacted its ability to conduct monitoring in the field. The DLG executive staff reported in an interview that the agency aims to increase monitoring in the field to ensure that its subrecipients are complying with CDBG stated policies. If they are found to be noncompliant, DLG plans to explore methods of ensuring future compliance, including possible withdrawal of future funds.

DLG provides fair housing training as part of its mandatory program administrative training for sub-recipient staff, and KHC provides DLG staff with fair housing training. There are currently no fair housing educational opportunities for those on the supply side of housing for, for instance, subrecipients, developers, or other policy makers.

#### HOME Investment Partnerships Program

KHC administers the HOME program, which provides funding for affordable housing initiatives across the state. In terms of fair housing, the location of assisted housing can expand access to community assets, or it can perpetuate residential segregation patterns. For example, affordable housing units planned and developed in high opportunity areas can facilitate access to better

schools and jobs. On the other hand, affordable housing that is located exclusively in R/ECAP or lower opportunity areas can restrict housing choice and residents' access to higher quality community assets.

KHC's HOME funds may be used for the development of multifamily properties involving acquisition and rehabilitation or new construction of affordable rental housing. Income-eligible households include those with incomes up to 60 percent of the area median. The required affordability period for new construction rental development is 20 years. The affordability period for rehabilitation projects is dependent upon the amount of HOME funds invested per unit, ranging from five to 15 years.

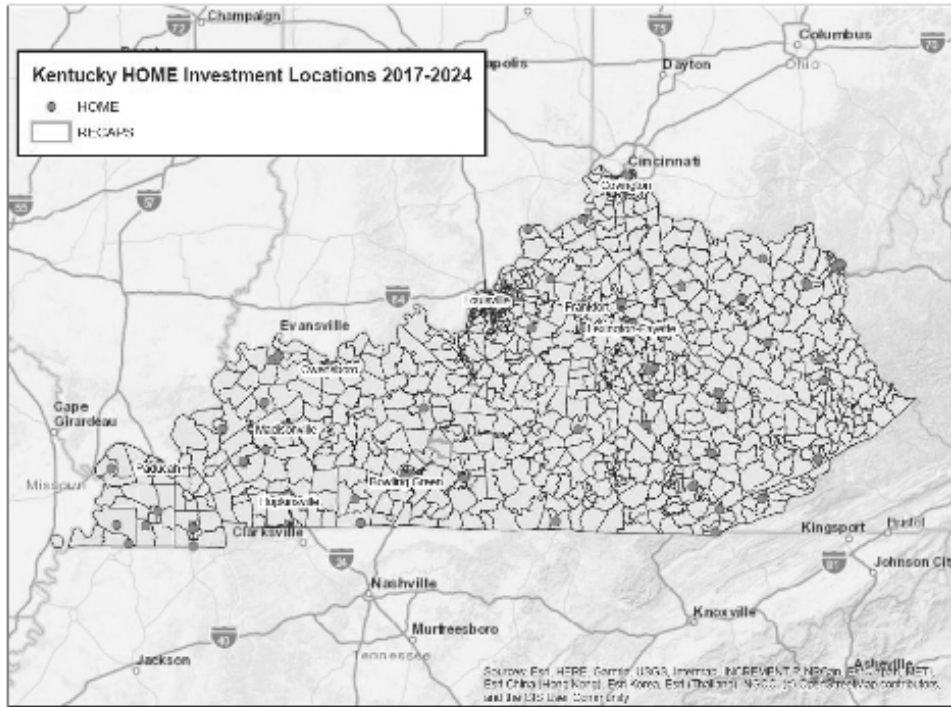
HOME funds may be used for the following single-family residential activities:

- **Homebuyer assistance** can include acquisition and rehabilitation for resale of an existing home and new construction of a single-family unit. Acquisition can occur under direct sale to the homebuyer or via a lease-purchase agreement. Up to \$25,000 of HOME funds per house may be used for construction, principal reduction, down payment assistance, and closing costs, and also for the required three percent down payment if there is an FHA-insured first mortgage. Eligible households include those with incomes up to 80 percent of the area median.
- KHC also may provide up to \$60,000 of HOME funds per unit for **Homeowner Rehabilitation** to bring a primary residence up to the current building code or, if a house is too dilapidated, to demolish it and build a new home. Eligible households included those with incomes up to 80 percent of the area median.
- **Tenant-Based Rental Assistance (TBRA)** provides funds for rent and utility assistance as well as security and utility deposits. Eligible households have incomes up to 60 percent of area median income (AMI).

The maps below show the geographic locations of HOME investments made by KHC. Overall, investments have been made throughout the state with more in metropolitan areas than rural ones with a balance between those made within and outside R/ECAP tracts.

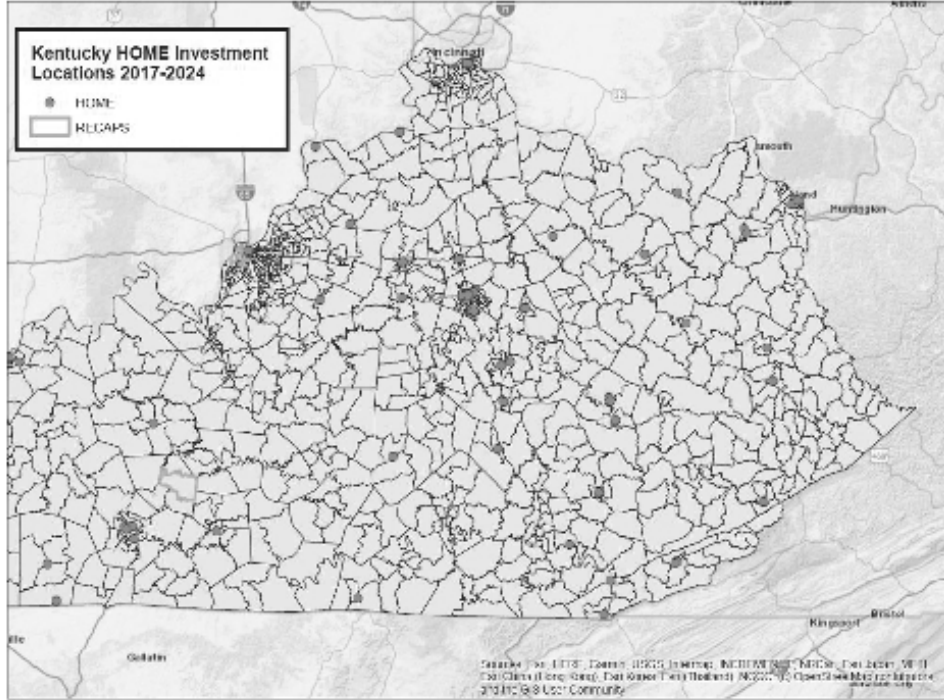
KHC should continue to compare the locations of investments made with the Census tracts designated as R/ECAPs and explore opportunities for investment accordingly. For example, tract 9801 to the northeast of Bowling Green is a designated R/ECAP in which no HOME investments have been made since 2017. This tract could represent a good opportunity for rural R/ECAP investment.

Figure 19: HOME Program Investments 2017-2025



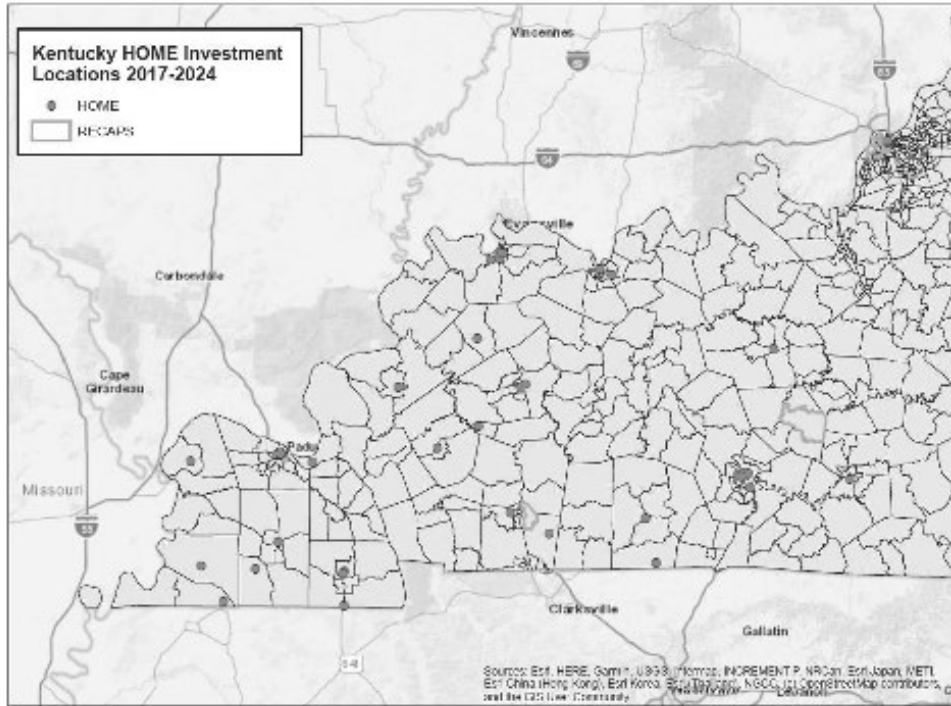
Source: Kentucky Housing Corporation

Figure 20: HOME Program Investments 2017-2025, Eastern Kentucky



Source: Kentucky Housing Corporation

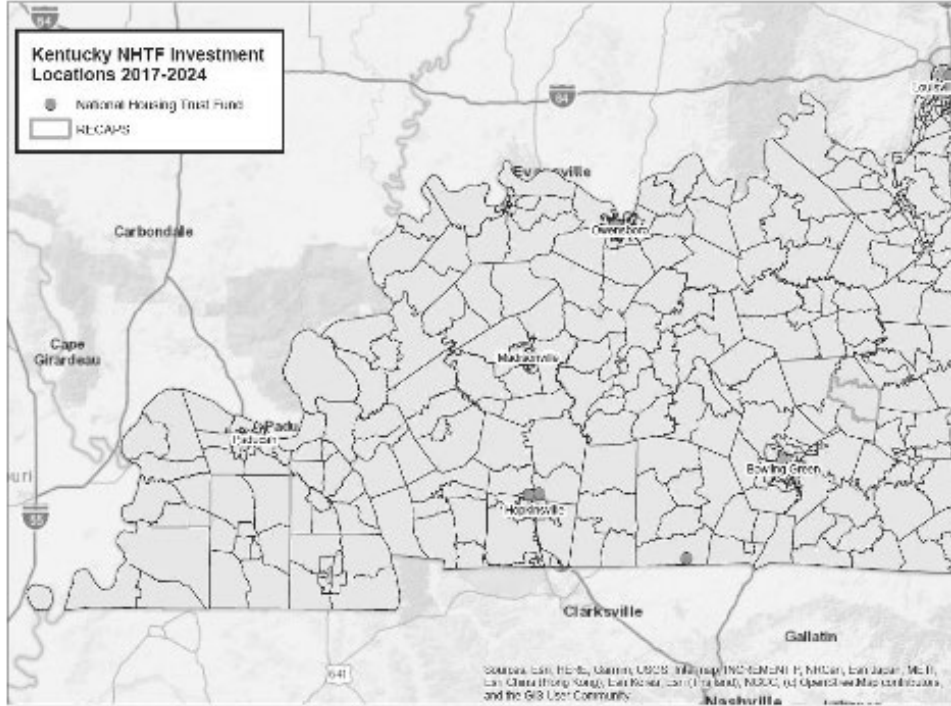
Figure 21: HOME Program Investments 2017-2025, Western Kentucky



Source: Kentucky Housing Corporation



**Figure 23: NHTF Investments, 2017-2024, Western Kentucky**



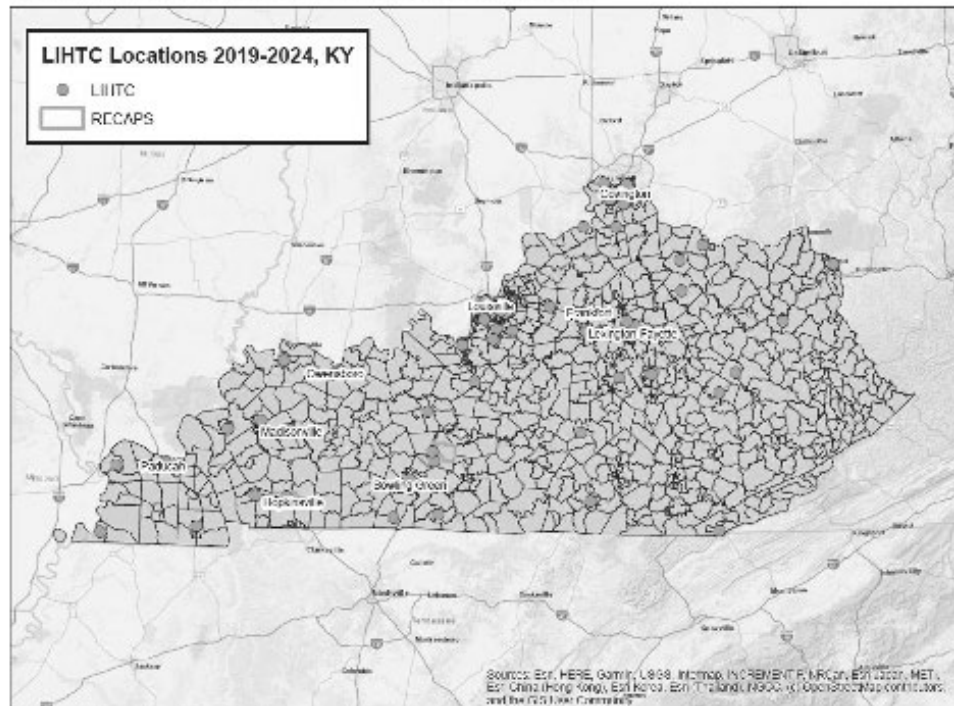
Source: Kentucky Housing Corporation



Low Income Housing Tax Credit Program and the Qualified Allocation Plan  
KHC's QAP is a public policy based on guidelines established by Section 42 of the Internal Revenue Code, which establishes the agency's priorities for rental housing initiatives financed with LIHTC.

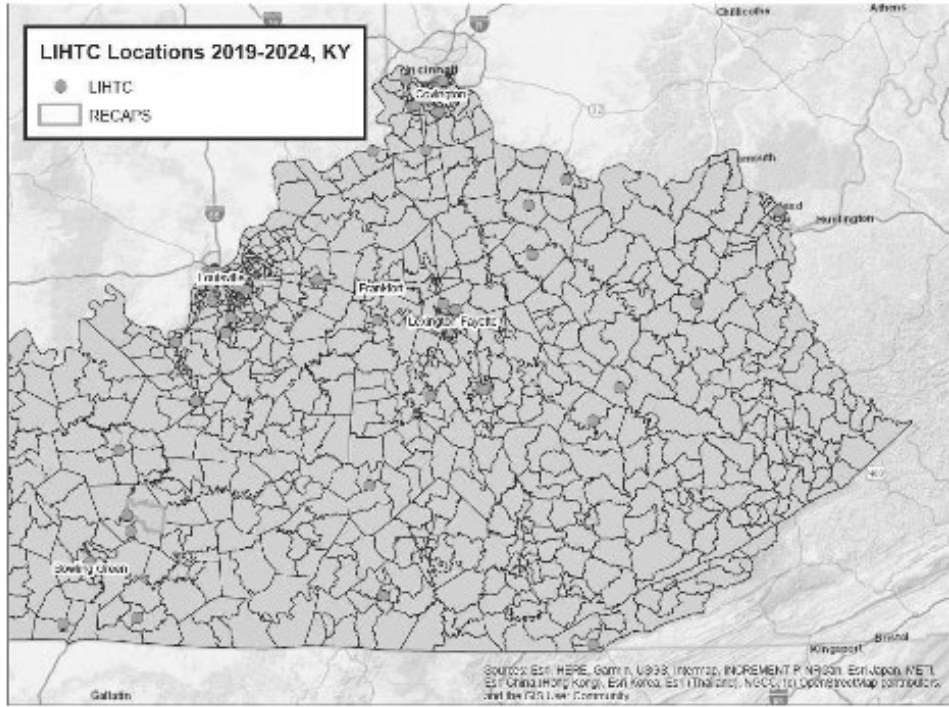
LIHTC investments are geographically illustrated in the maps below.

**Figure 25: LIHTC Investment Locations, Kentucky**



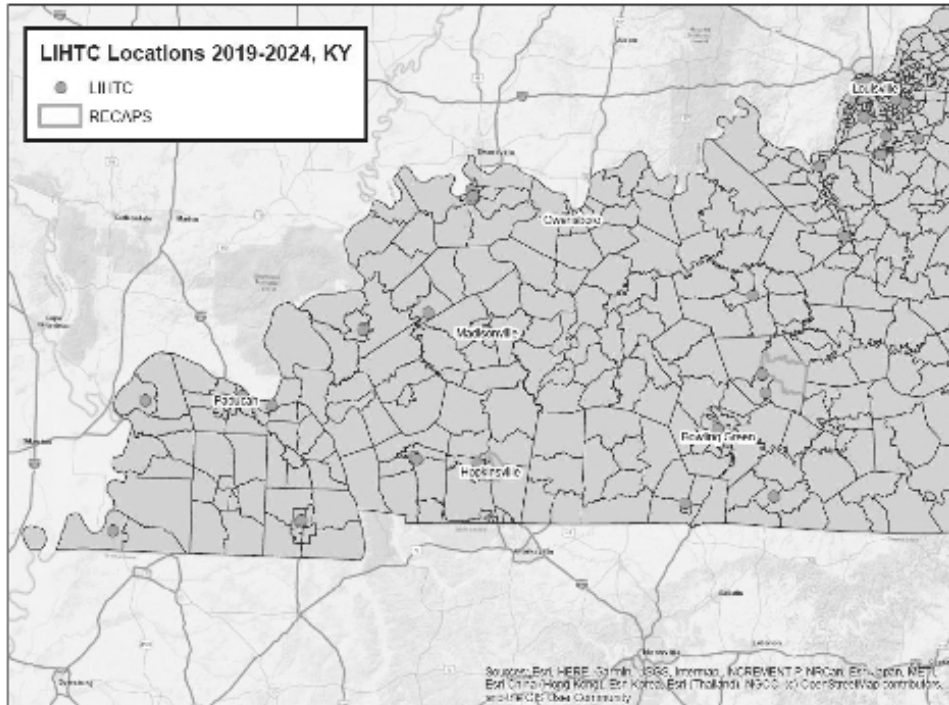
Source: Kentucky Housing Corporation

Figure 26: LIHTC Investment Locations, Eastern Kentucky



Source: Kentucky Housing Corporation

**Figure 27: LIHTC Investment Locations, Western Kentucky**



Source: Kentucky Housing Corporation

Unlike federal programs that provide grants or loans for housing development, the LIHTC program generates private equity from the sale of tax credits to assist with the hard and soft development costs of rental units. Generally, for-profit corporations such as banks purchase the credits based on current demand for them. In return, corporations receive a dollar-for-dollar reduction of federal taxes each year for the first ten years that units are in operation. The QAP is conducted every two years and must be approved by the Governor before the tax credits can be awarded by KHC to developers. Because the competition for tax credits is robust, tax credit developers design their rental housing projects to achieve maximum scoring under KHC's QAP priority scoring categories. The QAP has a major impact on what populations are served, the types of projects that will be undertaken and, indirectly, where rental housing is built or rehabilitated.

The QAP was reviewed to determine the presence of five tax credit allocation priorities meant to incentivize developers to create LIHTC properties in locations with lower poverty rates and higher opportunity.<sup>2</sup> The five allocation priorities included:

- High-opportunity neighborhoods.
- Access to amenities.
- Approval by the community.
- Furthering investment in blighted neighborhoods.
- Avoiding concentrations of affordable housing.

The set-asides established in the QAP reflect distinctions in specific needs and its obligation to affirmatively further fair housing as determined by KHC. For 2025-2026, the QAP stated set-asides on the basis of existing or new supply. KHC will award the lesser of: ten percent of available 9% LIHTCs or two applications to existing supply projects that rehabilitate rent-restricted housing. The new supply set asides include 33 percent of 9% LIHTCs in an urban set-aside for Jefferson, Fayette, and Northern Kentucky (Boone, Campbell, and Kenton Counties); and the remaining LIHTCs to applications in the BoS.

The QAP states specific criteria by which 9% LIHTCs will be distributed. For existing supply, the credits will be awarded based on the greatest need of rehabilitation determined by ranking, the percentage of units covered by federal project-based rent assistance, and whether the application includes rehabilitation only (excluding acquisition for the purpose of maximizing limited resources). The new supply selection criteria by which points are awarded include:

- Share of affordable units in a given county, with the applications in counties with the lowest number of subsidized units earning the most points (BoS set-aside only).
- Submitted data in the categories:
  - Renter cost burden.
  - Median household income.
  - Employment density (BoS set-aside only).
  - Road network density (BoS set-aside only).
- Projects supported by permanent below-market sources
  - Sources including HOME (other than from KHC), CDBG, local government housing or infrastructure programs, public housing authority resources, financial institutions, or philanthropic organizations registered in Kentucky.
  - Applications that list source(s) as a permanent loan with these terms: no more than 1 percent interest rate, amortization of at least 20 years, and no commercially unreasonable fees.
- Land donation.

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<sup>2</sup> The five allocation priorities are found in "Effect of QAP Incentives on the Location of LIHTC Properties" published by the U.S. Department of Housing & Urban Development, Office of Policy Development & Research (April 2015).

- Revitalization plans (urban set-asides only).
- Family, senior, or supportive housing.

In the event of a tie, KHC will apply tiebreakers, including greatest number of LIHTC units, demonstration of innovative characteristics, eligibility for the historic rehabilitation tax credit, and intention for eventual tenant ownership.

With regard to local community approval and the potential for not-in-my-backyard opposition, the fair housing rule of thumb is that a housing project financed with public funding sources should not be subjected to a higher standard of public notification and/or approval process than privately financed housing. Different treatment on this basis is discriminatory if the tenants of a proposed development will be members of the protected classes (families with children, persons with disabilities, minorities, etc.).

Project notification requirements are evident in Section 42(m)(1)(A)(ii) of the Internal Revenue Code. In accordance, KHC is required to notify the chief executive officers (or the equivalent) of local jurisdictions where projects to receive credits are located and provide the officials a reasonable opportunity to comment on the projects. Within the QAP, there is no scoring category that requires applicants to notify local officials and/or neighborhood groups within a buffer of a proposed site, a requirement that generally increases the likelihood that a project will be derailed through political intervention or public opposition.

In some cases, careful and coordinated planning involving revitalization of deteriorated structures and conditions in some areas can spur new investment in blighted neighborhoods and enhance living conditions for residents. New LIHTC projects are frequently part of the equation for this type of initiative, providing new high-quality and affordable housing for longtime residents. The QAP can be a useful and valuable tool in guiding LIHTC investment, particularly when it is part of a broader comprehensive community plan. HUD's Choice Neighborhood Initiative is one example of how this can be achieved. The QAP awards preference under the Revitalization Plans section for projects located in urban qualified census tracts with a plan for a defined target area where other investments will occur or have occurred. This requirement is specific to plans that are formally recognized and/or adopted for revitalization, community development, and/or economic development. The plan must have been created or updated within the previous 10 years and demonstrate a need for multi-family units.

Overall, the QAP includes significant provisions for developer incentives to expand housing choice in higher opportunity areas. In a large rural state like Kentucky, however, the need for creating new, decent, and safe affordable housing in rural areas is also great. KHC appears to strike a balance between the two.

## **OLMSTEAD HOUSING INITIATIVE**

The Olmstead Housing Initiative (OHI) was created in response to the 1999 Supreme Court decision *Olmstead v. L.C.*, 527 U.S. 581, which was an interpretation of Title II of the Americans

with Disabilities Act (ADA). OHI was created to meet the housing needs of one of the hardest-to-serve populations: people with severe mental illness (SMI) who are in institutions or at risk of institutionalization. Efforts have been made to move individuals who can live independently from institutions into affordable housing in communities of their choosing. Institutions for this population could include nursing homes but are more typically psychiatric hospitals or personal care homes. OHI can pay for moving expenses, basic furnishings, and security and utility deposits, and can provide an ongoing rental subsidy.

KHC doesn't have a role with OHI. Referrals for OHI are accepted from contracted providers of the Department for Behavioral Health, Developmental, and Intellectual Disabilities (DBHDID), which must confirm that a full range of support services are in place in the community where the individual chooses to live. All referrals are made to DBHDID. KHC does not accept or approve direct referrals.

### KENTUCKY HOUSING SUPPLY GAP ANALYSIS

KHC conducted a housing supply gap analysis in three phases. Phase I estimated current housing gaps in each of Kentucky's 120 counties. Phase II estimated five-year projected housing supply shortages using data on homes available for purchase, housing in the development pipeline, large-scale job announcements, and an evaluation of their impact on household growth. Phase III involved a series of public engagements to solicit public input in an effort to identify and develop strategies to increase the housing supply.

Phase I identified the housing supply shortage at six income levels: less than or equal to 30% of AMI, between 31 percent and 50 percent of AMI, between 51 percent and 80 percent of AMI, between 81 percent and 120 percent AMI, between 121 percent and 150 percent of AMI, and 151 percent and higher of AMI. A supplemental gap was identified for those seeking permanent supportive housing. The gaps identified are summarized in the table below:

**Figure 29: Overall Housing Gaps by Tenure and AMI, 2024**

		State of Kentucky (2024)							
		Overall Housing Gaps (by Tenure and Area Median Income)							
		Number of Units Needed by Household Income Level						Total Gap	
		<30%	31% 50%	51% 80%	81% 120%	121% 150%	151%+	Total Units	Share of State
State Rental Gaps	Units	60,385	19,161	13,211	6,980	1,132	700	101,569	49.3%
	Share	59.4%	18.9%	13.0%	6.9%	1.1%	0.7%	100.0%	
State For-Sale Gaps	Units	19,434	14,179	18,599	17,972	13,896	20,558	104,638	50.7%
	Share	18.5%	13.6%	17.8%	17.2%	13.3%	19.7%	100.0%	
State Total	Units	79,819	33,340	31,810	24,952	15,028	21,258	206,207	100.0%
	Share	38.7%	16.2%	15.4%	12.1%	7.3%	10.3%	100.0%	

Source: Kentucky Housing Supply Gap Analysis, Phase I

For rental units, the largest gap by far exists in the housing available for those among the lowest earning households — those below 30 percent of AMI. The necessary housing for those falling in this income tier consists of 59.4 percent of the overall rental gap in the state. The gaps in the

for-sale market are relatively evenly distributed among income levels with the highest gap occurring among units affordable to those at the highest income tier — 151 percent of AMI or higher. The largest overall housing gaps are within the state’s most populous areas such as Jefferson, Fayette, and Boone Counties, consisting of major cities such as Louisville, Lexington, and the Cincinnati metropolitan area, respectively.

Several cited causes for the current housing gap include local resistance to multifamily and dense development in general; natural disasters (tornadoes and flooding) which have destroyed housing units; job growth outpacing housing growth in certain localities; lost builder capacity; slow delivery of units due to zoning approvals, technology, and cost; and a stagnant federal funding landscape. According to a November 2024 Kentucky Housing Task Force report, while single family home construction has rebounded from post-2008 lows, apartment construction and especially middle housing construction have lagged significantly. Because apartments and middle housing provide more density, the total number of units constructed has remained low because single-family home construction has increased.

The dominant reason for Kentucky’s supply gap remains the loss of construction activity following the 2008 housing crisis and resulting recession. Kentucky has still not matched the pace of housing construction prior to the crisis.

Phase II identified the five-year projected housing gap in the same income categories as Phase I. The table below, taken from the Phase II report, shows these estimated gaps based on homes available for purchase, housing in the development pipeline, large-scale job announcements, and an evaluation of their impact on household growth.

**Figure 29: Five-Year Projected Housing Supply Gap by Tenure and AMI, 2029**

		State of Kentucky (2029)							
		Projected Overall Housing Gaps (by Tenure and Area Median Income)						Total Gap	
		Number of Units Needed by Household Income Level						Total Units	Share of State
	<30%	31%-50%	51%-80%	81%-120%	121%-150%	151%+			
State Rental Gaps	Units	77,554	21,172	18,479	11,993	7,732	2,232	139,162	48.5%
	Share	55.7%	15.2%	13.3%	8.6%	5.6%	1.6%	100.0%	-
State For-Sale Gaps	Units	23,436	24,586	32,356	33,630	28,944	5,006	147,958	51.5%
	Share	15.8%	16.6%	21.9%	22.7%	19.6%	3.4%	100.0%	-
<b>State Total</b>	<b>Units</b>	<b>100,990</b>	<b>45,758</b>	<b>50,835</b>	<b>45,623</b>	<b>36,676</b>	<b>7,238</b>	<b>287,120</b>	<b>100.0%</b>
	<b>Share</b>	<b>35.2%</b>	<b>15.9%</b>	<b>17.7%</b>	<b>15.9%</b>	<b>12.8%</b>	<b>2.5%</b>	<b>100.0%</b>	

Source: Kentucky Housing Supply Gap Analysis, Phase II

The overall housing gap in Kentucky is projected to grow 39.2 percent from 206,207 units to 287,120 units in five years. The projected gap is expected to remain relatively even for rental and for-sale housing. The gaps are expected to grow the most among the highest- and lowest-earning households. The primary driver in lower income households is severe cost burden, while the primary factor in higher income households is projected household growth.

Housing construction is sorely needed at all levels of affordability in Kentucky. KHC and DLG should explore opportunities for developing housing across a wide spectrum of affordability, with a special focus on multifamily housing affordable at the lowest income levels. Although the most cost-burdened households need housing more acutely than moderate-income households, KHC and DLG also should explore opportunities for development for the latter. Moderate-income housing is likely to experience fewer impediments to development than lower-income housing, including from developers that favor higher profits on their investments and from local detractors who may vocalize resistance to multifamily or affordable housing more generally.

## ZONING

As a state government, Kentucky does not have its own zoning ordinances. However, the 2021 Kentucky League of Cities Planning and Zoning Statutory Guide contains applicable state laws and statutes governing planning and zoning. Typically, zoning codes are evaluated based on how the ordinance:

- Defines "family" inclusively, without a cap on the number of unrelated persons and with a focus on functioning as a single housekeeping unit.
- Defines "group home" for persons with disabilities or similarly named land use compared to single-family dwellings.
- Allows up to six unrelated people with disabilities to reside in a group home without requiring a special use / conditional use permit or public hearing.
- Regulates the siting of group homes as single-family dwelling units without an additional regulatory provision.
- Has a "Reasonable Accommodation" provision or allows for persons with disabilities to request reasonable accommodation / modification to regulatory provisions.
- Permits by-right multi-family housing of more than four units per structure in one or more residential zoning districts.
- Does not distinguish between "affordable housing / multi-family housing" (i.e., financed with public funds) and "multi-family housing" (i.e., financed with private funds).
- Provides residential zoning districts with minimum lot sizes of 4,000 square feet or less.
- Does not include exterior design/aesthetic standards for all single-family dwelling units regardless of size, location, or zoning district.

Given that specific zoning regulations are typically determined by individual municipalities and this guide simply provides a framework for the enabling legislation, it cannot be evaluated according to all of the provisions above. However, certain provisions of the guide may be analyzed as they impact overall zoning regulation in the state.

First, section 100.201 (3) contains the only mention of multi-family housing. This pertains to the designation of urban residential zones whose components may "lack individual distinction."

According to the Planning and Zoning Statutory Guide: “The usage of structures within an urban residential zone may be regulated on a structure-by-structure basis, permitting a mixture of uses in the zone, including single-family and multifamily residential, retail, and service establishments, which stabilizes and protects the urban residential character of the area.”

Increasing multi-family housing, although not a panacea, is one of the most efficient ways to reduce housing gaps at all levels of income and increase the supply of affordable housing. Thus, the AI recommends that most zoning codes permit the construction of multi-family housing by right, or without provisions above-and-beyond that of other kinds of housing.

Second, section 100.211 requires that amendments to the zoning map and text of the regulation be reviewed via public hearing before adoption. Some zoning changes may be delayed by vocal opposition on the part of residents of a given municipality. Therefore, certain zoning changes should be made without a necessary public hearing. For example, variances made for the installation of group homes should be allowed to go through planning commission approvals without special meetings or requirements if the municipality so chooses.

Third, since there is no provision requiring zoning codes to include the ability to request reasonable accommodations/modification to regulatory provisions, most zoning codes do not include this mechanism that could increase the number of accessible units available to and affordable for Kentucky's elderly and disabled residents.

## **BUILDING, OCCUPANCY, HEALTH, AND SAFETY CODES**

Adopted in 2018, The Kentucky Building Code is based upon the 2015 International Building Code published by the International Code Council, Inc. (IBC), with Kentucky-specific amendments. It provides design and construction standards to ensure public safety, health, and welfare insofar as they are affected by building construction and to secure safety to life and property from all hazards incident to the occupancy of buildings, structures, or premises.

Accessible design and construction requirements are necessary to make public and common use spaces and facilities accessible and safe to everyone. This gives people with disabilities greater freedom to choose where they live. The Fair Housing Act requires all “covered multifamily dwellings” to be accessible to and usable by people with disabilities. Here, covered multifamily dwellings are defined as buildings containing four or more units, either with all ground-floor units or at least one elevator. The following seven accessibility standards are required by the Fair Housing Act for these dwelling units:

- An accessible building entrance on an accessible route.
- Accessible common and public use areas.
- Usable doors (usable by a person in a wheelchair).
- Accessible routes into and through the dwelling unit.

- Light switches, electrical outlets, thermostats, and other environmental controls in accessible locations.
- Reinforced walls in bathrooms for retroactive installation of grab bars.
- Usable kitchens and bathrooms.

State building regulations were last updated in 2018. Chapter 11 determines the design and construction of facilities for accessibility for individuals with disabilities. These standards almost meet all the accessibility requirements outlined by the Fair Housing Act. While all toilet and bathing facilities are required to be accessible, there is not a clear provision for requiring reinforced walls in bathrooms for later installation of grab bars.

Sections 1104 and 1105 detail requirements for accessible routes entrances, including access to common and public use areas. At least one accessible route within the site shall be provided from public transportation stops, accessible parking, accessible passenger loading zones, and/or public streets or sidewalks to the accessible building entrance served. The minimum width of the accessible path must be 48 inches. Accessible routes are required within and between almost all sites, including commercial buildings with five or more tenants, and healthcare providers, transportation facilities, airports, and any government building. Exceptions to providing accessible routes are provided if the site does not provide any pedestrian access or if the area of a floor or mezzanine is smaller than 3,000 square feet. Recreational facilities must also provide accessible features to all spaces except swimming pools.

Section 1108 describes accessibility requirements for dwelling units and sleeping units. All public spaces serving dwelling units shall be accessible, including bathrooms, kitchens, living and dining areas, and any connected exterior spaces. The following table describes the minimum required number of accessible units and features required based on the number of dwelling units a building provides:

**Table 20: Accessible Dwelling Unit and Sleeping Unit Requirements in Kentucky**

Total Number of Units	Minimum Required Number of Accessible Units without Roll-in Showers	Minimum Number of Accessible Units with roll-in Showers	Total Number of Required Accessible Units
1 to 25	1	0	1
26 to 50	2	0	2
51 to 75	3	1	4
76 to 100	4	1	5
101 to 150	5	2	7

<b>151 to 200</b>	6	2	8
<b>201 to 300</b>	7	3	10
<b>301 to 400</b>	8	4	12
<b>401 to 500</b>	9	4	13
<b>501 to 1,000</b>	2% of total	1% of total	3% of total
<b>Over 1,000</b>	20, plus 1 for each 100, or fraction thereof, over 1,000	10, plus 1 for each 100, or fraction thereof, over 1,000	300, plus 2 for each 100, or fraction thereof, over 1,000

Source: *International Building Code, 2024*

There are three Kentucky-specific exceptions to the IBC accessibility section. First, childcare facilities or areas or portions of building used for rendering of childcare are not required to comply with the provisions applicable to children. The provisions applicable to adults (parents and staff) are applicable, including accessible routes, entrances, parking, and toilet facilities. Second, church buildings are not required to comply with the provision. Third, accessible toilet facilities may not be located in a restricted area of a given building or an area designated for "Employees Only."

## ANTI-DISPLACEMENT AND RELOCATION PLAN

Anti-displacement and relocation plans serve to advance the interests of lower-income individuals and households at risk of displacement due to neighborhood changes in various sectors, such as housing, businesses, and infrastructure. The Kentucky Residential Antidisplacement and Relocation Assistance Plan is compliant with HUD regulation 24 CFR § 42 and 24 CFR § 570, which outlines plans and strategies for addressing displacement. As a recipient of CDBG and HOME funds, KHC has a residential anti-displacement and relocation assistance plan in place for demolition and acquisition activities.

According to the Plan, "KHC shall require one-for-one replacement units for all occupied and vacant occupiable low- and moderate-income dwelling units that are demolished or converted for uses other than as low- and moderate-income dwelling units as a direct result of an activity assisted under HOME."

Replacement units must meet the following requirements:

1. The units must be located within the HOME recipient's jurisdiction.
2. The units must be sufficient in number and size to house at least the number of occupants that could have been housed in the demolished or converted units, in accordance with local housing occupancy codes.

3. The replacement low- and moderate-income dwelling units must be in standard condition and may include units that have been raised to standard from substandard condition.
4. The units must be designed to remain low- and moderate-income dwelling units for at least 10 years from the initial occupancy.

HOME recipients must make public and submit to KHC in writing:

1. A description of a proposed activity.
2. The general location on a map and approximate number of dwelling units by size (number of bedrooms) that will be demolished or converted to a use other than as low- and medium-income dwelling units as a direct result of the assisted activity.
3. A time schedule for the commencement and completion of the demolition or conversion.
4. The general location on a map and approximate number of dwelling units by size (number of bedrooms) that will be provided as replacement dwelling units.
5. The source of funding and a time schedule for the provision of replacement dwelling units.
6. The basis for concluding that each replacement dwelling unit will remain a low- or moderate-income dwelling unit for at least 10 years from the date of initial occupancy.

KHC will consider annually whether or not displacement has occurred as part of funding decisions and project feasibility determinations. Whenever possible, the agency will ensure that residents of buildings to be rehabilitated have an opportunity to return to the building. The household shall receive temporary relocation benefits if they are required to vacate a building during renovation.

KHC requires that all HOME recipients adopt a written, publicly available residential anti-displacement and relocation assistance plan that describes the relocation assistance it has elected to furnish and provides for equal relocation assistance within each class of displaced persons.

KHC and HOME recipients must provide relocation assistance under Section 104 (d), as described in CFR 24.570.606 (b) 2 (i), to each low- and moderate-income household displaced by the demolition of housing or by the conversion of low- and moderate-income dwelling to another use as a direct result of HOME-assisted activities.

Temporary relocation for homeowner rehabilitation is an optional policy for HOME recipients. The policy must establish guidelines for payment or nonpayment of temporary moves. If the homeowner must vacate the unit for one to 30 days, the HOME recipient should determine whether the family can or is willing to stay with friends. If they can or will not, the recipient should refer the family to a moderately priced hotel. Accommodations should not exceed a one-month period. If the family is required to vacate the property for longer than one month, the recipient is encouraged to work with local housing authorities to provide temporary housing.

Displaced persons are eligible for moving costs if a move is initiated after submission of HOME application. The displaced person may receive compensation for moving expenses supported by documentation for:

1. Transportation up to 50 miles.
2. Packing, crating, uncrating, and unpacking personal property.
3. Storage of the personal property for a period not to exceed 12 months, unless the HOME recipient determines that a longer period is necessary.
4. Disconnecting, dismantling, reassembling, and reinstalling relocated household appliances and other personal property.
5. Insurance for the replacement value of the property in connection with the move and necessary storage.
6. The replacement value of property lost, stolen, or damaged in the process of moving (not through the fault or negligence of the displaced person or his or her agent or employee) where insurance covering such loss, theft, or damage is not reasonably available.
7. Other moving-related expenses as KHC determines to be reasonable and necessary, except the following ineligible expenses:
  - a. Interest on a loan to cover moving expenses.
  - b. Personal injury.
  - c. Any legal fee or other cost for preparing a claim for a relocation payment or for representing the claimant in appeals procedures.
  - d. The cost of moving any structure or other real property improvement in which the displaced person reserved ownership.
  - e. Cost for storage of personal property on real property owned or leased by the displaced person before the initiation of negotiations.

HOME recipients must include a procedure for appeals and grievances. The appeal must be made within 60 days to the HOME recipient after they provide notification of the claim decision. If the appeal cannot be resolved locally, an appeal may be made to KHC for review. Any final decision may be appealed to the HUD field office.

## **LANGUAGE ACCESS PLAN**

HUD's guidance relative to Executive Order 13166, "Improving Access to Services for Persons with Limited English Proficiency (LEP)," stipulates that a community can achieve compliance by providing certain language assistance services for LEP language groups with more than 1,000 persons or one percent of the population to be served. As noted earlier in the AI, the most common language spoken by LEP persons throughout Kentucky is Spanish, which is spoken by 52,634 persons or three percent of LEP households based on 2022 ACS data.

HUD grantees are responsible for serving persons with LEP and who may be income-eligible for services and programs in accordance with Title VI of the Civil Rights Act of 1964. Preparation of an LAP is the most effective way to achieve compliance. KHC adopted an updated LAP effective January 11, 2023. DLG adopted its LAP Plan in August 2022. The AI reviewed both of these documents.

The KHC LAP clearly states the agency's obligation to provide services, financial assistance, and other benefits to residents regardless of their nation of origin and to make reasonable efforts to provide free language assistance services to clients. In determining which languages meet the stated thresholds, KHC conducted a four-factor analysis as required by HUD. The 2023 LAP estimated that 2.1 percent of state residents cited a language other than English spoken at home, and 46 percent of Kentucky's LEP population are of Hispanic or Latino origin. These numbers in conjunction with an estimate of the frequency of contact indicated that native Spanish speakers were the most likely to be served. Among the services that KHC will provide to persons with LEP are the following:

- Posting of multi-lingual signs in public spaces.
- Use of automated Spanish telephone services.
- Use of multi-lingual notices for outreach activities.
- Notices of right to language assistance services on KHC's webpage.
- Use of I Speak cards to facilitate direct interaction with LEP persons.

The KHC LAP clearly states how interaction with LEP clients via oral communication will proceed. Staff will assist in identifying the spoken language and coordinate with the Fair Housing Coordinator to obtain appropriate services. Bilingual office staff may be used as informal interpreters; however, formally certified interpreters will be made available if required. Translation of vital documents can be provided along with translated summaries, where appropriate. The LAP also includes a provision stating that KHC will annually review the document to determine if revisions are necessary, including in light of demographic changes.

KHC staff training is required annually for staff who may interact with persons with LEP. The Fair Housing Coordinator monitors the training and the delivery of language assistance services. Subrecipients of federal funds received through KHC are required to ensure access to language assistance services for their program beneficiaries. Such services are to be provided free to eligible clients and the Fair Housing Coordinator is available to assist with these services. In addition, the appendix of the LAP includes a list of formal interpreters who may be contacted for assistance.

The DLG LAP, similarly recognizes the department's requirement to provide language assistance to LEP populations. DLG requires that its sub-recipients use the same four-factor analysis prior to the release of federal funds, since DLG does not provide direct financial assistance to individuals. Sub-recipient local units of government or nonprofit organizations would encounter persons with LEP and, therefore, must be able to address their language assistance needs. DLG does, however, recognize that persons with LEP may need to interact

with its staff during the public comment period. Upon request, DLG will make translations of annual plans and amendments available for its federal grant programs.

Sub-recipients are required to conduct a four-factor analysis, develop a LAP, and provide a description of the outreach efforts to be undertaken during the Letter of Conditional Commitment stage. DLG specifies the required measures that sub-recipients are required to take if the four-factor analysis reveals 1,000 or more persons, or five percent or more of the population, with LEP: translation of vital documents, posting of public hearing notices in the languages spoken and in locations frequented by persons with LEP, and providing translation of services at public hearings if requested to do so. There are lesser requirements when the LEP population is smaller. DLG monitors its sub-recipients for compliance with these requirements.

## Private Sector Policy Review

In addition to the public sector policies that influence fair housing choice, private sector policies can also influence the development, financing, and advertising of real estate. This section of the AI analyzes mortgage lending practices, high-cost lending, and real estate advertising.

### HOME MORTGAGE LENDING

Under the terms of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (F.I.R.R.E.A.), any commercial lending institution that makes five or more home mortgage loans must report all residential loan activity to the Federal Reserve Bank under the terms of the HMDA. The HMDA regulations require most institutions involved in lending to comply and report information on loans denied, withdrawn, or incomplete by race, sex, and income of the applicant. The information from the HMDA statements assists in determining whether financial institutions are serving the housing needs of their communities. The data also helps to identify possible discriminatory lending practices and patterns.

The most recent HMDA data available for the Commonwealth is from 2022. Reviewing this data helps to determine the need to encourage area lenders, other business lenders, and the community at large to actively promote existing programs and develop new programs to assist residents in securing home mortgage loans for home purchases. The data focuses on the number of homeowner mortgage applications received by lenders for home purchase of one- to four-family dwellings and manufactured housing units. The information provided is for the primary applicant only. Co-applicants were not included in the analysis. *The data indicates that Black, Hispanic, Native American, and Pacific Islander applicants faced higher denial rates and lower origination rates (approvals) than white applicants.* However, sample sizes for Native American and Pacific Islander applicants are small, with these races making up 0.4 percent and 0.1 percent of total applications, respectively. Denial rates in 2022 for Black and Hispanic applicants were 22 percent and 21 percent, respectively, while denial rates for whites were 17 percent. The overall denial rate in Kentucky was 18 percent.

**Figure 28: Mortgage Denial Rate by Race, 2022, Kentucky**



Source: 2022 Home Mortgage Disclosure Act Data

In 2022, there were 171,665 first lien mortgage applications for home purchases in Kentucky according to data collected under the HMDA. This is approximately 35 percent fewer applications than in 2020 when the number of applications was 266,551. Among other factors, the nationwide rise in interest rates could have contributed to the decrease in mortgage applications since 2020 when interest rates during COVID were unusually low.<sup>3</sup> The majority of home purchase loans in Kentucky are conventional loans (71.6 percent in 2022).

**Table 21: Number of Loan Applications by Type, 2022**

Loan Type	Number of Applications	Percent
Conventional	122,900	71.6%
FHA	28,247	16.5%
FSA/RHS	4,587	2.7%
VA	15,931	9.3%
<b>Total</b>	<b>171,665</b>	<b>100%</b>

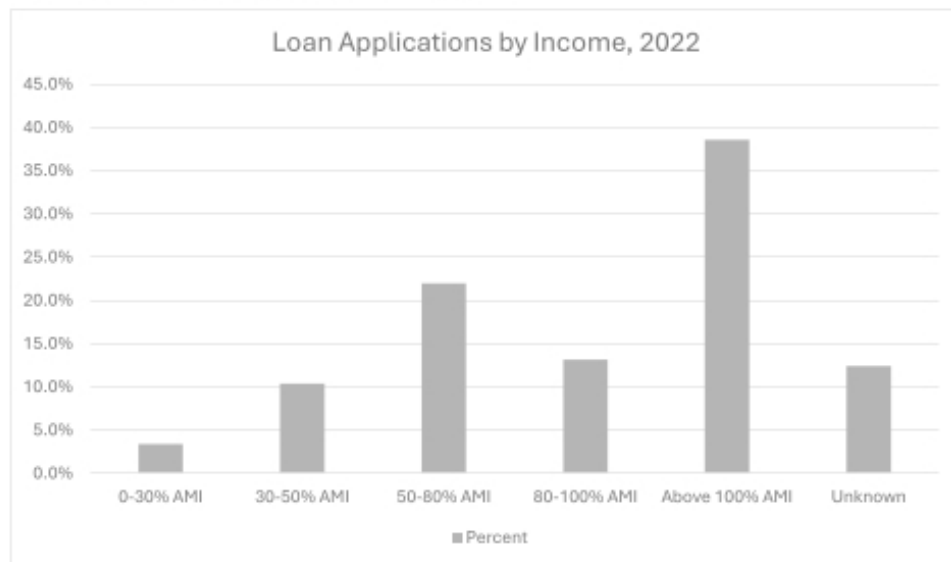
<sup>3</sup> "Historical Mortgage Rates: 1971 to the Present." Kevin Graham, Rocket Mortgage. March 24, 2024. <https://www.rocketmortgage.com/learn/historical-mortgage-rates-30-year-fixed>. Accessed Aug 29, 2024.

Source: 2022 Home Mortgage Disclosure Act Data

### Mortgages by Income

In 2022, a plurality of the mortgage applications in Kentucky were made by those earning above 100 percent of their respective AMI at 38.6 percent. This is followed by households earning between 50 percent and 80 percent AMI (22.0 percent). Those at the lowest end of the income spectrum made the fewest mortgage applications. The incomes of another 12.4 percent of applicants are unknown according to available HMDA data.

**Figure 29: Loan Applications by AMI, 2022**



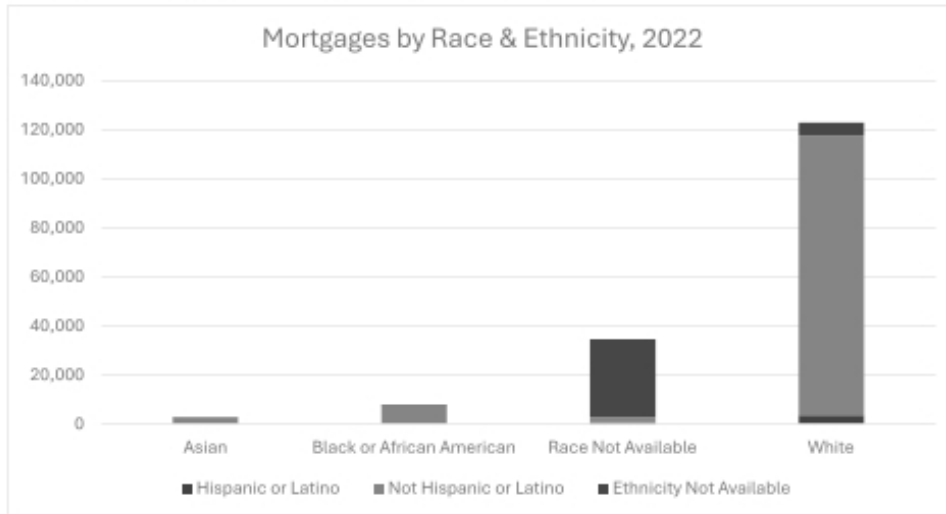
Source: 2022 Home Mortgage Disclosure Act Data

### Mortgages by Race and Ethnicity

In 2022, the vast majority of home purchase loans were awarded to White residents — 71.6 percent — which is lower than their proportion of the population as a whole at 84.8 percent. Similarly, Black residents, who account for eight percent of the population, were awarded 4.7 percent of mortgages. Asian (1.7 percent of mortgages compared to 1.5 percent of the population) and Hispanic residents' (2.9 percent of mortgages and four percent of the population) mortgage applications were fairly proportional to their representation in the total

population<sup>4</sup>. However, it is important to note that a significant portion of applications did not provide this information or were considered not applicable (21.4 percent).

**Figure 10: Mortgages by Race and Ethnicity, 2022**



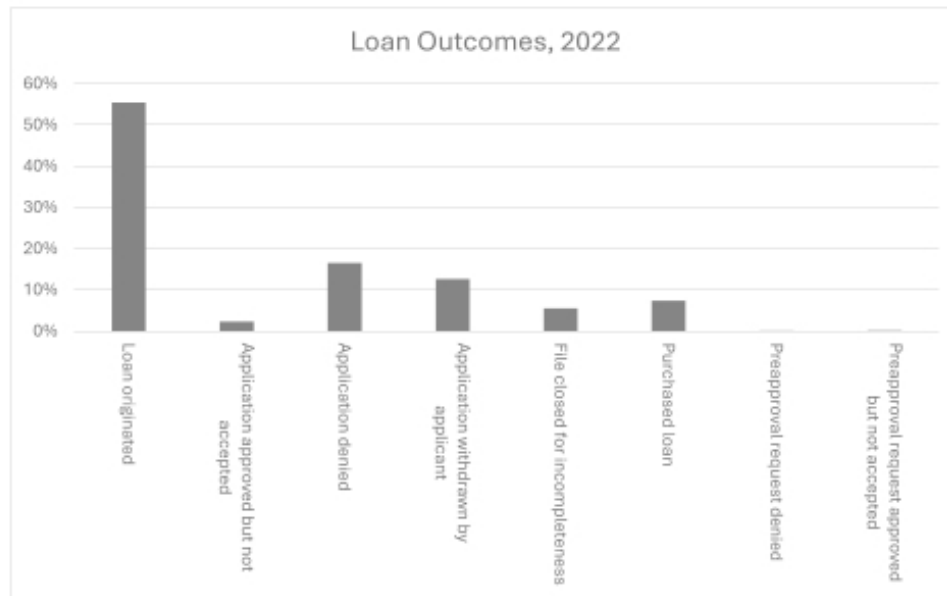
Source: 2022 Home Mortgage Disclosure Act Data

<sup>4</sup> U.S. Census Bureau, ACS 5-Year Estimates, 2022

## Loan Outcomes

In 2022, a majority (55.4 percent) of loan applications resulted in the origination of a loan. Other outcomes were far less common, including 16.5 percent of loan applications that were denied and 12.6 percent of applications that were withdrawn by the applicant. A very small number of preapproval requests were either denied or approved but not accepted.

**Figure 31: Loan Outcomes, 2022**



Source: 2022 Home Mortgage Disclosure Act Data

## High-Cost Lending Practices

The widespread housing finance market crisis of 2007-2009 brought a new level of public attention to lending practices that victimize vulnerable populations. Subprime lending, designed for borrowers who are considered a credit risk, increased the availability of credit to low-income persons. At the same time, it often exploited borrowers, piling on excessive fees, penalties, and interest rates that make financial stability difficult to achieve. Higher monthly mortgage payments make housing less affordable, increasing the risk of mortgage delinquency and foreclosure and the likelihood that properties will fall into disrepair.

Some subprime borrowers have credit scores, income levels, and down payments high enough to qualify for conventional prime loans, but are nonetheless steered toward more expensive subprime mortgages. This is especially true of minority groups, which tend to fall

disproportionately into the category of subprime borrowers. The practice of targeting minorities for subprime lending qualifies as mortgage discrimination.

Since 2005, Housing Mortgage Disclosure Act data has included price information for loans priced above reporting thresholds set by the Federal Reserve Board. This data is provided by lenders via Loan Application Registers and can be aggregated to complete an analysis of loans by lender or for a specified geographic area. HMDA does not require lenders to report credit scores for applicants, so the data does not indicate which loans are subprime. It does, however, provide price information for loans considered "high-cost."

A loan is considered high-cost if it meets one of the following criteria:

- The annual percentage rate (APR) exceeds the average prime offer rate (APOR) by more than 6.5 percentage points for a *first-lien transaction*.
- The APR exceeds the APOR by more than 8.5 percentage points for a first-lien transaction if the dwelling is personal property and the loan amount is less than \$50,000.
- The APR exceeds the APOR by more than 8.5 percentage points for a *subordinate-lien transaction*.

Not all loans carrying high APRs are subprime, and not all subprime loans carry high APRs. However, high-cost lending is a strong predictor of subprime lending, and can heavily burden the borrower and increase the risk of mortgage delinquency. However, fewer than 200 high-cost loans originated in Kentucky in 2022, amounting to less than 0.1 percent.

## Fair Housing Profile

Kentuckians can receive fair housing services from a variety of organizations, including but not limited to HUD, the Kentucky Commission on Human Rights, and the Kentucky Fair Housing Council, Inc. This section summarizes fair housing organizations and reviews fair housing complaints or compliance reviews where a charge or a finding of discrimination has been made. Additionally, this section will review the existence of any fair housing discrimination suits filed by the U.S. Department of Justice or private plaintiffs and identify other fair housing concerns or problems.

### HOUSING DISCRIMINATION COMPLAINTS

A lack of complaints does not necessarily indicate a lack of housing discrimination. Some residents may not file complaints because they are not aware of their rights or how or with whom to file a complaint. In addition, in a tight rental market, tenants may want to avoid confrontations with prospective landlords. Discriminatory practices can be subtle and may not be detected by someone who does not have the benefit of comparing his 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. Finally, households may be more interested in achieving their first housing choice and may prefer to avoid going through the process of filing a complaint and following through with it. Therefore, education, information, and referral regarding fair housing issues remain critical to equip persons with the ability to reduce impediments.

### U.S. DEPARTMENT OF HOUSING & URBAN DEVELOPMENT

HUD's Office of Fair Housing and Equal Opportunity (FHEO) receives complaints from persons regarding alleged violations of the federal Fair Housing Act. Fair housing complaints originating in Kentucky were obtained and analyzed for the period of January 2019 through October 2024. In total, Kentuckians filed 671 complaints with HUD during this period. The volume of cases was roughly consistent across years with a minimum of 78 cases filed in 2022 and a maximum of 138 cases filed in 2023. Eighty-three cases remain unresolved from this time period.

Disability was the most common basis for alleging discrimination, accounting for more than half of all complaints filed during this period. Race was the second most frequent basis for alleging discrimination. This mirrors national trends according to the *2024 Fair Housing Trends Report* published by the National Fair Housing Alliance. Of the 671 complaints filed by Kentuckians, 156 (23.2 percent) were filed on two or more bases; as a result, the figure below reflects a total greater than the number of complaints filed.

**Table 22: HUD Housing Discrimination Complaints by Basis and Year, 2019-2024**

Year	National Origin	Race	Color	Disability	Familial Status	Sex	Religion	Retaliation
2019	8	25	0	73	18	15	0	11
2020	5	27	2	70	21	13	0	3
2021	5	26	2	50	10	12	0	10
2022	4	25	0	39	2	13	0	2
2023	11	38	1	81	9	16	1	4
2024	5	26	1	65	7	14	1	12
<b>Total</b>	<b>38</b>	<b>167</b>	<b>6</b>	<b>378</b>	<b>67</b>	<b>83</b>	<b>2</b>	<b>42</b>
<b>Percent</b>	<b>5.7%</b>	<b>24.9%</b>	<b>0.9%</b>	<b>56.3%</b>	<b>10.0%</b>	<b>12.4%</b>	<b>0.3%</b>	<b>6.3%</b>

Source: HUD FHEO

Across all complaints filed with HUD, discriminatory terms, conditions, or services and facilities was the most cited category of issues, factoring into more than 75 percent of all cases. Failure to make reasonable accommodations accounted for nearly one third of all cases. The majority of cases involved more than one issue. Therefore, the below totals will be equal to more than 100 percent.

**Table 23: Housing Discrimination Complaints by Issues, 2019-2024**

Issue	Citations	% of Complaints
Terms, conditions, privileges, or services and facilities	507	75.6%
Failure to permit / make reasonable modification/accommodation	222	33.1%
Discriminatory acts under Section 818 (coercion, etc.)	112	16.7%
Otherwise deny or make housing unavailable	64	9.5%
Refusal to rent and negotiate for rental	50	7.5%
Advertising, statements, and notices	28	4.2%
Other	14	2.1%
Financing and/or lending	8	1.2%
Discriminatory acts under Section 901 (criminal)	7	1.0%
Steering	7	1.0%

Issue	Citations	% of Complaints
Failure to provide accessible and usable public and common user areas	3	0.4%
Refusal to sell and negotiate for sale	2	0.3%
Using ordinances to discriminate in zoning and land use	1	0.1%

Source: HUD FHEO

Of the complaints reviewed, 347 (52 percent) were found to be without probable cause. Just over 20 percent of cases resulted in a negotiated settlement. Eleven cases (1.6 percent) were withdrawn without resolution.

**Table 24: Resolution of Housing Discrimination Complaints filed with HUD, 2019-2024**

Resolution	Citations	% of Complaints
No cause determination	347	51.7%
Conciliation/settlement successful	138	20.6%
Pending resolution	83	12.4%
Complaint withdrawn by complainant after resolution	33	4.9%
Complainant failed to cooperate	21	3.1%
Dismissed for lack of jurisdiction	12	1.8%
Unable to locate complainant	12	1.8%
Complaint withdrawn by complainant without resolution	11	1.6%
FHAP judicial consent order	6	0.9%
Unable to locate respondent	3	0.4%
Conciliation unsuccessful — no hearing requested	2	0.3%
FHAP judicial dismissal	2	0.3%
Unable to identify respondent	1	0.1%

Source: HUD FHEO

## **KENTUCKY COMMISSION ON HUMAN RIGHTS**

The Kentucky Commission on Human Rights (KCHR) is responsible for the enforcement of federal fair housing laws, undertaking the mediation/conciliation and litigation of housing discrimination complaints, and enforcing the Kentucky Civil Rights Act. The Kentucky Civil Rights Act makes it unlawful to discriminate against people in the areas of employment, financial transactions, housing, and public accommodations. Housing discrimination is prohibited on the basis of race, color, religion, national origin, gender, disability, and familial status. It is also a violation of the law to retaliate against a person for complaining of discrimination to the Commission.

KCHR is a "substantially equivalent agency" under HUD's Fair Housing Assistance Program (FHAP). This means that KCHR has been certified as substantially equivalent after HUD determined that the Commission administers a law (i.e., the Kentucky Civil Rights Act) which provides rights, procedures, remedies, and judicial review provisions that are substantially equivalent to the Fair Housing Act. For this reason, HUD refers complaints of housing discrimination that it receives from Kentucky residents to the KCHR for investigation. Housing discrimination complaint data from the KCHR is accounted for in the complaints filed with HUD FHEO.

## **KENTUCKY FAIR HOUSING COUNCIL**

The Kentucky Fair Housing Council (KFHC) (formerly Lexington Fair Housing Council) is a full-service, nonprofit civil rights agency committed to eradicating discrimination in housing. The Fair Housing Council enforces the federal Fair Housing Act, the Kentucky Fair Housing Act, and local fair housing ordinances, where applicable. The KFHC is the only private nonprofit fair housing agency in Kentucky and investigates complaints throughout the state. The Council is certified as a Fair Housing Initiatives Program (FHIP) through HUD to assist people who believe they have been victims of housing discrimination. KFHC refers discrimination complaints to the U.S. Department of Justice, HUD FHEO. KFHC participates in the Private Enforcement Initiative (PEI) program, which means it implements initiatives that promote fair housing laws and equal housing opportunity awareness.

KFHC believes some evictions may be the result of discriminatory behavior caused by landlords, with minorities potentially being impacted more than non-minorities. Some evictions may also be caused by discrimination against persons with disabilities, especially people with mental illness. They also believe that discrimination related to source of income is occurring with the rising number of landlords who will not accept Section 8 vouchers. Local ordinances ban source-of-income discrimination, but state law determines that a municipality cannot force landlords to accept vouchers.

The KFHC also expressed concern that the HUD Fair Market Rents do not keep up with local rents, resulting in the available housing for low-income renters being in worse condition, and not typically where a middle-class family would want to live in proximity to high-performing schools

or well-paying jobs. In certain rural areas, one landlord may own all or most of the Section 8 properties, , creating significant additional disincentive for renters or applicants to report substandard housing or discrimination. In the KFHC's opinion, all of these factors result in a concentration of affordable housing in low-opportunity areas.

## Summary of Impediments to Fair Housing Choice

This section describes the impediments to fair housing choice revealed by the data analysis, public engagement/outreach initiatives, and policy review discussed throughout the AI. The impediments are the result of primary and secondary research to define the underlying conditions, trends, and context for fair housing planning in Kentucky. The impediments are listed separately for the Commonwealth of Kentucky and local municipalities, including counties, which as subrecipients of DLG funds also have an obligation to affirmatively further fair housing. While KHC and DLG recognize the need to alleviate all the impediments listed below, they also recognize that addressing certain impediments is beyond the reach of their programmatic abilities and control.

Impediment	Description/Contributing Factors
<b>Lack of resources for fair housing education, outreach and enforcement</b>	<p>Stakeholders and community members identified the following needs in consultation sessions and survey responses:</p> <ol style="list-style-type: none"> <li>a. Fair housing education for locally elected officials and appointed boards and commissions with authority to make housing and housing-related land use and development decisions.</li> <li>b. Fair housing education for landlords and tenants to understand their respective rights and responsibilities.</li> <li>c. Fair housing education for real estate professionals, lenders, architects, and building permitting officials to understand their respective professional obligations under fair housing laws.</li> <li>d. Fair housing education for stakeholders and residents statewide to understand their rights and the need for affordable housing in their communities.</li> <li>e. Greater fair housing enforcement across Kentucky to (a) protect the rights of members of the protected classes to access and retain housing, (b) bring violators into compliance, and (c) seek damages for persons who are unlawfully denied housing under fair housing laws.</li> </ol>

Impediment	Description/Contributing Factors
<b>Lack of resources to support low- and moderate-income households</b>	Stakeholders and community members identified the following needs in consultation sessions and survey responses: <ol style="list-style-type: none"> <li>a. 24/7 affordable childcare.</li> <li>b. Mental health services.</li> <li>c. Improved access to transportation in both urbanized areas and rural counties.</li> <li>d. Sufficient housing construction across the Commonwealth—including rental and homeownership, urban and rural, and across all household income bands.</li> </ol>
<b>Lack of expanded protected classes</b>	Seniors, LGBT persons, and people utilizing housing vouchers often face additional challenges obtaining housing. A lack of fair housing protection exacerbates these challenges.
<b>Lack of affordable housing in a variety of locations</b>	Stakeholders and community members cite opposition to affordable housing, including emergency shelters, permanent supportive housing, and generally affordable housing as barriers to development.

## Fair Housing Action Plan

The Fair Housing Action Plan includes recommended actions for KHC and DLG. Many of these recommended actions have been actively addressed over the past five years since the last AI (see Tables 1a and 1b, Progress Since Last AI). The reason for this categorization is that KHC and DLG, within their own agencies' missions, have many worthwhile programs and initiatives that affirmatively further fair housing, and these must be continued. We recognize that many of these actions will be ongoing efforts, and that KHC and DLG are currently doing many of these action items. Fair housing is a complex issue, and it will require ongoing collaboration beyond the next five years to achieve comprehensive fair housing goals.

Impediment	Strategy	2025-2029 Action Steps
Fair Housing Education and Outreach	<ul style="list-style-type: none"> <li>Continue to financially and administratively support bilingual housing counseling and education efforts.</li> </ul>	<ul style="list-style-type: none"> <li>KHC remains committed to financially and administratively supporting bilingual housing counseling and education efforts.</li> <li>KHC will continue to support the efforts of its mortgage production administrators to coordinate marketing, outreach, education, and engagement activities and review KHC's internal policies and practices to ensure multicultural populations are effectively served.</li> </ul>
	<ul style="list-style-type: none"> <li>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.</li> </ul>	<ul style="list-style-type: none"> <li>KHC will continue to provide monetary and administrative support to these fair housing organizations for their training and other activities.</li> </ul>
	<ul style="list-style-type: none"> <li>Continue outreach and education efforts on the housing supply gap, including dissemination of information found in the Housing Supply Gap Analysis, to relevant stakeholders and legislators.</li> </ul>	<ul style="list-style-type: none"> <li>KHC will continue to actively provide outreach and education efforts to highlight the housing gaps in Kentucky to the legislature and stakeholders.</li> </ul>

Impediment	Strategy	2025-2029 Action Steps
<b>Expansion and Preservation of Affordable Housing in a Variety of Locations</b>	<ul style="list-style-type: none"> <li>Continue to allocate LIHTC funding to projects that prioritize higher opportunity areas and avoid concentrations of affordable housing.</li> </ul>	<ul style="list-style-type: none"> <li>KHC will continue to actively prioritize higher opportunity areas in KHC's QAP and Multifamily Guidelines to discourage high concentrations of affordable housing.</li> </ul>
	<ul style="list-style-type: none"> <li>Continue to create opportunities for first-time homebuyers through the Down Payment Closing Cost Assistance Program and the Homebuyer Loan Program for income-eligible, first-time homebuyers (not using HOME funds).</li> </ul>	<ul style="list-style-type: none"> <li>KHC will continue to actively promote the DAP and Homebuyer Loan programs to assist first-time homebuyers to purchase an affordable home.</li> </ul>
	<ul style="list-style-type: none"> <li>Continue the AHTF Home Rehab Program and the Weatherization Assistance Program to preserve the existing affordable housing inventory and lower homeowner costs.</li> </ul>	<ul style="list-style-type: none"> <li>KHC will continue to promote the AHTF Home Rehab Program and the Weatherization Assistance Program to preserve affordable housing.</li> </ul>
	<ul style="list-style-type: none"> <li>Continue to advocate for affordable housing resources among local, state, and Congressional delegations.</li> </ul>	<ul style="list-style-type: none"> <li>KHC remains committed to its legislative outreach and education efforts at the federal and state levels and anticipates continuing this over the next five years.</li> </ul>
	<ul style="list-style-type: none"> <li>Continue the Tenant-Based and Project-Based Rental Assistance Programs to ensure affordable rental assistance for protected classes across the state, including assistance to individuals with disabilities and those recovering from substance abuse. Roll out expanded number of vouchers through HUD Section 811 award.</li> </ul>	<ul style="list-style-type: none"> <li>KHC will continue to promote the Tenant-based and Project-Based Rental Assistance Programs to ensure affordable rental assistance for protected classes across the Commonwealth. The HOME TBRA Program will continue to provide temporary assistance to individual households to help them afford the housing costs of market-rate units, while the PHA voucher program will continue to provide rental assistance to eligible households.</li> </ul>

Impediment	Strategy	2025-2029 Action Steps
	<ul style="list-style-type: none"> <li>• Continue to seek CoC funding for RRH assistance and permanent supportive housing developments that provide affordable housing options and related services for protected classes.</li> <li>• Evaluate tools and methods to connect people to housing, such as housing service locator tools.</li> </ul>	<ul style="list-style-type: none"> <li>• KHC will continue to seek CoC funding for RRH assistance and permanent supportive housing developments.</li> <li>• KHC will continue to support P admission, LLC to provide a platform to connect people to housing via a housing service locator tool. In addition, KHC will work to ensure the participation of all LIHTC properties in the P admission system.</li> </ul>
<b>Enforcement of Design and Construction Requirements</b>	<ul style="list-style-type: none"> <li>• Continue the allocation of funding to projects that include accessibility design features such as aging-in-place, universal design, ADA, and UFAS construction standards, including: <ul style="list-style-type: none"> <li>• Expand the certification of compliance with design.</li> <li>• 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.</li> <li>• Continue allocation of funding to projects that include accessibility design features such as aging-in-place, universal design, ADA, and UFAS construction standards.</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• KHC will continue to require that all projects complete a Certificate of Compliance with Design Standards and ensure that the design complies with all applicable federal, state, and local accessibility requirements. In addition, KHC will require funding applicants to continue to identify which impediments in the AI their projects will work to eliminate, and how they plan to do so.</li> </ul>

Impediment	Strategy	2025-2029 Action Steps
<b>Ensure Access to Programs and Services for LEP Populations</b>	<ul style="list-style-type: none"> <li>Annually update the LAP to reflect a review of any demographic changes statewide and in each county, and the results of monitoring for the effectiveness of the plan's implementation.</li> </ul>	<ul style="list-style-type: none"> <li>KHC will annually update the LAP to reflect a review of any demographic changes statewide and for each county. Translating applications, informational materials, and important notices into multiple languages increases the number of non-English speaking residents able to benefit from programs and services. In addition, KHC will continue to work with interpreters to provide services to LEP populations as needed.</li> </ul>
	<ul style="list-style-type: none"> <li>Evaluate collecting preferred language data at the time of single-family loan origination to provide improved loan servicing to LEP populations.</li> </ul>	<ul style="list-style-type: none"> <li>KHC will continue to evaluate collecting preferred language data at the time of single-family loan origination to provide improved loan servicing to LEP populations.</li> </ul>

## Appendix

### PUBLIC ENGAGEMENT SUMMARY AND MATERIALS

As the lead agencies in the preparation of the AI, KHC and DLG were committed to an extensive outreach process to solicit input from residents and stakeholders. Outreach initiatives included remote stakeholder meetings and an online survey. The process included a broad range of government and nonprofit agencies that provide affordable housing, mental health, and other social services throughout the Commonwealth.

Extensive outreach was conducted as part of the development of the Consolidated Plan and Annual Action Plan in addition to the AI. Stakeholder meetings were conducted with a wide range of stakeholders representing direct fair housing groups in addition to organizations that discussed fair housing issues during the consultation. Virtual stakeholder meetings were held on the following dates with the Kentucky Fair Housing Council, the Kentucky Commission on Human Rights, and the Kentucky Disability Rights Advocates:

- Kentucky Fair Housing Council: September 24, 2024
- Kentucky Commission on Human Rights: October 8, 2024
- Kentucky Disability Rights Advocates: October 18, 2024

KHC held 18 consultation sessions from September 13, 2024 to November 18, 2024. Listed below are the session topics of each consultation session, which were well attended by community partners and agencies:

- Kentucky BoS CoC Homeless Services
- Public and Human Services
- Youth Services
- Special Needs Populations
- PHA and Affordable Housing
- Economic Development
- Fair Housing
- Hazard Mitigation
- Broadband Access

The participants consulted included the Kentucky's Affordable Housing Coalition; the Kentucky League of Cities; a local civil rights commission; Kentucky's Housing Policy Advisory Committee; Kentucky Fair Housing Council; Kentucky Interagency Council on Homelessness; past recipients of CDBG, HOME, HOPWA, ESG, and HTF funds; Kentucky Commission on

Human Rights; Fahe and its member groups and organizations; staff from Kentucky's departments of Aging and Independent Living and Economic Development.


The following attachments are documents and PowerPoint presentations created to develop the AI, including a summary of the meeting notes with stakeholders and the survey.

Documents will be attached here after the public hearing and public comment period.

# Grantee SF-424's and Certification(s)

View Burden Statement		OMB Number: 4040-0004 Expiration Date: 11/30/2025	
<b>Application for Federal Assistance SF-424</b>			
* 1. Type of Submission:		* 2. Type of Application:	
<input type="checkbox"/> Preapplication <input checked="" type="checkbox"/> Application <input type="checkbox"/> Changed/Corrected Application		<input checked="" type="checkbox"/> New <input type="checkbox"/> Continuation <input type="checkbox"/> Revision	
		* If Revision, select appropriate letter(s): _____	
		* Other (Specify): _____	
* 3. Date Received: 07/18/2025		4. Applicant Identifier: _____	
5a. Federal Entity Identifier: _____		5b. Federal Award Identifier: _____	
<b>State Use Only:</b>			
6. Date Received by State: _____		7. State Application Identifier: KY202501150051	
<b>8. APPLICANT INFORMATION:</b>			
* a. Legal Name: Kentucky Department for Local Government			
* b. Employer/Taxpayer Identification Number (EIN/TIN): 61-0600439		* c. UEI: BQ4JMJDP4MQ9	
<b>d. Address:</b>			
* Street1:	100 Airport Road		
Street2:	_____		
* City:	Frankfort		
County/Parish:	_____		
* State:	KY: Kentucky		
Province:	_____		
* Country:	USA: UNITED STATES		
* Zip / Postal Code:	40601-7514		
<b>e. Organizational Unit:</b>			
Department Name: KY Department for Local Govern		Division Name: Office of Federal Grants	
<b>f. Name and contact information of person to be contacted on matters involving this application:</b>			
Prefix:	_____	* First Name:	Mark
Middle Name:	_____		
* Last Name:	Williams		
Suffix:	_____		
Title:	Executive Director		
Organizational Affiliation: _____			
* Telephone Number:	5028923485	Fax Number:	_____
* Email:	markp.williams@ky.gov		

Application for Federal Assistance SF-424	
<p><b>* 9. Type of Applicant 1: Select Applicant Type:</b></p> <input type="text" value="A: State Government"/> <p>Type of Applicant 2: Select Applicant Type:</p> <input type="text"/> <p>Type of Applicant 3: Select Applicant Type:</p> <input type="text"/> <p>* Other (specify):</p> <input type="text"/>	
<p><b>* 10. Name of Federal Agency:</b></p> <input type="text" value="US Department of Housing and Urban Development"/>	
<p><b>11. Catalog of Federal Domestic Assistance Number:</b></p> <input type="text" value="14.228"/> <p>CFDA Title:</p> <input type="text" value="Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii"/>	
<p><b>* 12. Funding Opportunity Number:</b></p> <input style="background-color: yellow;" type="text"/> <p>* Title:</p> <input style="background-color: yellow;" type="text"/>	
<p><b>13. Competition Identification Number:</b></p> <input type="text"/> <p>Title:</p> <input type="text"/>	
<p><b>14. Areas Affected by Project (Cities, Counties, States, etc.):</b></p> <input type="text"/> <div style="display: flex; justify-content: space-around;"> <input type="button" value="Add Attachment"/> <input type="button" value="Delete Attachment"/> <input type="button" value="View Attachment"/> </div>	
<p><b>* 15. Descriptive Title of Applicant's Project:</b></p> <input type="text" value="KY Small Cities Community Development Block Grant Program (CDBG)"/>	
<p>Attach supporting documents as specified in agency instructions.</p> <div style="display: flex; justify-content: space-around;"> <input type="button" value="Add Attachments"/> <input type="button" value="Delete Attachments"/> <input type="button" value="View Attachments"/> </div>	

Application for Federal Assistance SF-424	
<b>16. Congressional Districts Of:</b>	
* a. Applicant	KY-A11
* b. Program/Project	KY A11
Attach an additional list of Program/Project Congressional Districts if needed.	
<input type="text"/> <input type="button" value="Add Attachment"/> <input type="button" value="Delete Attachment"/> <input type="button" value="View Attachment"/>	
<b>17. Proposed Project:</b>	
* a. Start Date:	07/01/2025
* b. End Date:	06/30/2026
<b>18. Estimated Funding (\$):</b>	
* a. Federal	25,988,523.00
* b. Applicant	0.00
* c. State	779,656.00
* d. Local	0.00
* e. Other	0.00
* f. Program Income	0.00
* g. TOTAL	26,768,179.00
<b>* 19. Is Application Subject to Review By State Under Executive Order 12372 Process?</b>	
<input checked="" type="checkbox"/> a. This application was made available to the State under the Executive Order 12372 Process for review on <input type="text" value="06/20/2025"/> .	
<input type="checkbox"/> b. Program is subject to E.O. 12372 but has not been selected by the State for review.	
<input type="checkbox"/> c. Program is not covered by E.O. 12372.	
<b>* 20. Is the Applicant Delinquent On Any Federal Debt? (If "Yes," provide explanation in attachment.)</b>	
<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	
If "Yes", provide explanation and attach	
<input type="text"/> <input type="button" value="Add Attachment"/> <input type="button" value="Delete Attachment"/> <input type="button" value="View Attachment"/>	
<b>21. *By signing this application, I certify (1) to the statements contained in the list of certifications** and (2) that the statements herein are true, complete and accurate to the best of my knowledge. I also provide the required assurances** and agree to comply with any resulting terms if I accept an award. I am aware that any false, fictitious, or fraudulent statements or claims may subject me to criminal, civil, or administrative penalties. (U.S. Code, Title 18, Section 1001)</b>	
<input checked="" type="checkbox"/> ** I AGREE	
<small>** The list of certifications and assurances, or an internet site where you may obtain this list, is contained in the announcement or agency specific instructions.</small>	
<b>Authorized Representative:</b>	
Prefix:	<input type="text"/>
* First Name:	Natt
Middle Name:	<input type="text"/>
* Last Name:	Sawyers
Suffix:	<input type="text"/>
* Title:	Commissioner, KY Department for Local Governme
* Telephone Number:	502-573-2382
Fax Number:	<input type="text"/>
* Email:	natt.sawyers@ky.gov
* Signature of Authorized Representative:	
* Date Signed:	07/18/2025

**Applicant and Recipient  
Assurances and Certifications**

U.S. Department of Housing  
and Urban Development

OMB Number: 2501-0044  
Expiration Date: 02/28/2027

**Instructions for the HUD-424-B Assurances and Certifications**

As part of your application for HUD funding, you, as the official authorized to sign on behalf of your organization or as an individual, must provide the following assurances and certifications, which replace any requirement to submit an SF-424-B or SF-424-D. The Responsible Civil Rights Official has specified this form for use for purposes of general compliance with 24 CFR §§ 1.5, 3.115, 8.50, and 146.25, as applicable. The Responsible Civil Rights Official may require specific civil rights assurances to be furnished consistent with those authorities and will specify the form on which such assurances must be made. A failure to furnish or comply with the civil rights assurances contained in this form may result in the procedures to effect compliance at 24 CFR §§ 1.8, 3.115, 8.57, or 146.39.

By submitting this form, you are stating that all assertions made in this form are true, accurate, and correct.

As the duly representative of the applicant, I certify that the applicant:

\*Authorized Representative Name:

Prefix: [Mr.] \*First Name: [Date]  
Middle Name:  
\*Last Name: [Sawyers]  
Suffix:

\*Title: [Commissioner, Kentucky Department Local Govt.]

\*Applicant Organization: [Kentucky Department for Local Government]

1. Has the legal authority to apply for Federal assistance, has the institutional, managerial and financial capability (including funds to pay the non-Federal share of program costs) to plan, manage and complete the program as described in the application and the governing body has duly authorized the submission of the application, including these assurances and certifications, and authorized me as the official representative of the applicant to act in connection with the application and to provide any additional information as may be required.
2. Will administer the grant in compliance with Title VI of the Civil Rights Act of 1964 (42 U.S.C. 2000(d)) and implementing regulations (24 CFR part 1), which provide that no person in the United States shall, on the grounds of race color or national origin, be excluded from participation in, be denied the benefits of, or otherwise be subject to discrimination under any program or activity that receives Federal financial assistance (9) If the applicant is a Federally recognized Indian tribe or its locally designated housing entity, is subject to the Indian Civil Rights Act (25 U.S.C. 1301-1303).
3. Will administer the grant in compliance with Section 504 of the Rehabilitation Act of 1973 (29 U.S.C. 794), as amended, and implementing regulations at 24 CFR part 8, the American Disabilities Act (42 U.S.C. 55 12101 et seq.), and implementing regulations at 28 CFR part 35 or 36, as applicable, and the Age Discrimination Act of 1975 (42 U.S.C. 6101-07) as amended, and implementing regulations at 24 CFR part 146 which together provide that no person in the United States shall, on the grounds of disability or age be excluded from participation in, be denied the benefits of, or otherwise be subjected to discrimination under any program or activity that receives Federal financial assistance; except if the grant program authorizes or limits participation to designated populations, then the applicant will comply with the nondiscrimination requirements within the designated population.
4. Will comply with the Fair Housing Act (42 U.S.C. 3601-18), as amended, and the implementing regulations at 24 CFR part 100, which prohibit discrimination in housing on the basis of race, color, religion, sex, disability, familial status, or national origin and will affirmatively further fair housing; except an applicant which is an Indian tribe or its instrumentality which

is excluded by statute from coverage does not make this certification, and further except if the grant program authorizes or limits participation to designated populations then the applicant will comply with the nondiscrimination requirements within the designated population.

5. Will comply with all applicable Federal nondiscrimination requirements, including those listed at 24 CFR §§ 5.105(a) and 5.106 as applicable.
6. Will not use Federal funding to promote diversity, equity, and inclusion (DEI) mandates, policies, programs, or activities that violate any applicable Federal anti-discrimination laws.
7. Will comply with the acquisition and relocation requirements of the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970, as amended (42 U.S.C. 4601) and implementing regulations at 49 CFR part 24 and, as applicable, Section 104(d) of the Housing and Community Development Act of 1974 (42 U.S.C. 5304(d)) and implementing regulations at 24 CFR part 42, subpart A.
8. That no Federal appropriated funds have been paid or will be paid, by or on behalf of the applicant, to any person for influencing or attempting to influence an officer or employee of any agency, a Member of Congress, and officer or employee of Congress, or an employee of a Member of Congress in connection with the awarding of this Federal grant or its extension, renewal, amendment or modification. If funds other than Federal appropriated funds have or will be paid for influencing or attempting to influence the persons listed above, I shall complete and submit Standard Form-LLL, Disclosure Form to Report Lobbying. I certify that I shall require all subawards at all tiers (including sub-grants and contracts) to similarly certify and disclose accordingly. Federally recognized Indian Tribes and Tribally designated housing entities (TDHEs) established by Federally-recognized Indian Tribes as a result of the exercise of the tribe's sovereign power are excluded from coverage by the Byrd Amendment, but State-recognized Indian Tribes and TDHEs established under State law are not excluded from the statute's coverage.
9. Will comply with the environmental requirements of the National Environmental Policy Act (42 U.S.C. 4321 et seq.) and related Federal authorities prior to the commitment or expenditure of funds for property.

I/We, the undersigned, certify under penalty of perjury that the information provided above is true, accurate, and correct.

**WARNING:** Anyone who knowingly submits a false claim or makes a false statement is subject to criminal and/or civil penalties, including confinement for up to 5 years, fines, and civil and administrative penalties. (18 U.S.C. §§287, 1001, 1010, 1012, 1014; 31 U.S.C. §3729, 3802; 24 CFR §28.10(b)(1)(ii)).

\*Signature:

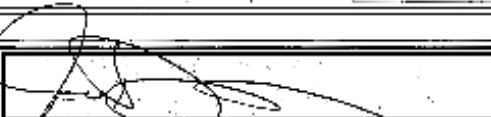
*Matt Sawyer*

\*Date:

6/24/2025


Application for Federal Assistance SF-424								
<b>* 1. Type of Submission:</b> <input type="checkbox"/> Preapplication <input checked="" type="checkbox"/> Application <input type="checkbox"/> Changed/Corrected Application			<b>* 2. Type of Application:</b> <input checked="" type="checkbox"/> New <input type="checkbox"/> Continuation <input type="checkbox"/> Revision			<b>* If Revision, select appropriate letter(s):</b> _____ <b>* Other (Specify):</b> _____		
<b>* 3. Date Received:</b> 07/19/2025			<b>4. Applicant Identifier:</b> _____					
<b>5a. Federal Entity Identifier:</b> _____			<b>5b. Federal Award Identifier:</b> _____					
<b>State Use Only:</b>								
<b>6. Date Received by State:</b> _____			<b>7. State Application Identifier:</b> _____					
<b>8. APPLICANT INFORMATION:</b>								
<b>* a. Legal Name:</b> Kentucky Housing Corporation								
<b>* b. Employer/Taxpayer Identification Number (EIN/TIN):</b> 61-0864674				<b>* c. UEI:</b> W362T27C7XC3				
<b>d. Address:</b>								
<b>* Street1:</b> 1231 Louisville Road								
<b>Street2:</b>								
<b>* City:</b> Frankfort								
<b>County/Parish:</b>								
<b>* State:</b> KY: Kentucky								
<b>Province:</b>								
<b>* Country:</b> USA: UNITED STATES								
<b>* Zip / Postal Code:</b> 40601-6156								
<b>e. Organizational Unit:</b>								
<b>Department Name:</b> Housing Contract Administratio				<b>Division Name:</b> ESG				
<b>f. Name and contact information of person to be contacted on matters involving this application:</b>								
<b>Prefix:</b>		<b>* First Name:</b> Curtis						
<b>Middle Name:</b>								
<b>* Last Name:</b> Stauffer								
<b>Suffix:</b>								
<b>Title:</b> Managing Director								
<b>Organizational Affiliation:</b> Kentucky Housing Corporation								
<b>* Telephone Number:</b> 502-564-7630			<b>Fax Number:</b>					
<b>* Email:</b> catauffer@kyhousing.org								

Application for Federal Assistance SF-424	
<p><b>* 8. Type of Applicant 1: Select Applicant Type:</b></p> <p><input type="text" value="R. State Government"/></p> <p>Type of Applicant 2: Select Applicant Type</p> <p><input type="text"/></p> <p>Type of Applicant 3: Select Applicant Type</p> <p><input type="text"/></p> <p>Other (specify):</p> <p><input type="text"/></p>	
<p><b>* 10. Name of Federal Agency:</b></p> <p><input type="text" value="US Department of Housing and Urban Development"/></p>	
<p><b>11. Assistance Listing Number:</b></p> <p><input type="text" value="14.271"/></p> <p>Assistance Listing Title</p> <p><input type="text" value="Emergency Solutions Grant Program"/></p>	
<p><b>* 12. Funding Opportunity Number:</b></p> <p><input type="text"/></p> <p>* Title</p> <p><input type="text"/></p>	
<p><b>13. Competition Identification Number:</b></p> <p><input type="text"/></p> <p>Title:</p> <p><input type="text"/></p>	
<p><b>14. Area Affected by Project (Cities, Counties, States, etc.):</b></p> <p><input type="text"/></p> <p><input type="button" value="Add Attachment"/> <input type="button" value="Delete Attachment"/> <input type="button" value="View Attachment"/></p>	
<p><b>* 15. Descriptive Title of Applicant's Project:</b></p> <p><input type="text" value="ESG Program - Rental by"/></p>	
<p>Attach supporting documents as specified in agency regulations</p> <p><input type="button" value="Add Attachments"/> <input type="button" value="Delete Attachments"/> <input type="button" value="View Attachments"/></p>	

Application for Federal Assistance SF-424	
16. Congressional Districts Of:	
*a. Applicant: <input type="text" value="EX-06"/>	*b. Program/Project: <input type="text" value="EX-ALL"/>
Attachment: <input type="text" value="List of Program/Project Congressional Districts (new list)"/> <input type="button" value="Add Attachment"/> <input type="button" value="Delete Attachment"/> <input type="button" value="View Attachment"/>	
17. Proposed Project:	
*a. Start Date: <input type="text" value="07/01/2025"/>	*b. End Date: <input type="text" value="06/30/2026"/>
18. Estimated Funding (\$):	
*a. Federal: <input type="text" value="2,456,505.00"/>	
*b. Applicant: <input type="text"/>	
*c. State: <input type="text"/>	
*d. Local: <input type="text"/>	
*e. Other: <input type="text"/>	
*f. Program Income: <input type="text"/>	
*g. TOTAL: <input type="text" value="2,456,505.00"/>	
*19. Is Application Subject to Review By State Under Executive Order 12872 Process?	
<input type="checkbox"/> a. This application was made available to the State under the Executive Order 12872 Process for review or <input type="checkbox"/> b. Program is subject to E.O. 12872 but has not been selected by the State for review. <input checked="" type="checkbox"/> c. Program is not covered by E.O. 12872.	
*20. Is the Applicant Delinquent On Any Federal Debt? (If "Yes," provide explanation in attachment.)	
<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No If "Yes", provide explanation and attach: <input type="text"/> <input type="button" value="Add Attachment"/> <input type="button" value="Delete Attachment"/> <input type="button" value="View Attachment"/>	
21. *By signing this application, I certify (1) to the statements contained in the list of certifications** and (2) that the statements herein are true, complete and accurate to the best of my knowledge. I also provide the required assurances** and agree to comply with any resulting terms if I accept an award. I am aware that any false, fictitious, or fraudulent statements or claims may subject me to criminal, civil, or administrative penalties. (U.S. Code, Title 18, Section 1001)	
<input checked="" type="checkbox"/> I AGREE <small>** The list of certifications and assurances, or an internal site where you may obtain this list, is contained in the announcement or agency specific instructions.</small>	
Authorized Representative:	
Pwd#: <input type="text"/> Middle Name: <input type="text"/> Last Name: <input type="text" value="Davidson"/> Suffix: <input type="text"/>	* First Name: <input type="text" value="DJA"/>
* Title: <input type="text" value="County Executive Director, Business Services"/>	
* Telephone Number: <input type="text" value="503-564-7523"/>	* Fax Number: <input type="text"/>
* Email: <input type="text" value="Davidson@ky.gov.usda.gov"/>	
* Signature of Authorized Representative: 	* Date Signed: <input type="text" value="07/17/2025"/>

Application for Federal Assistance SF-424		
<b>* 1. Type of Submission:</b> <input type="checkbox"/> Preapplication <input checked="" type="checkbox"/> Application <input type="checkbox"/> Changed/Corrected Application		
<b>* 2. Type of Application:</b> <input checked="" type="checkbox"/> New <input type="checkbox"/> Continuation <input type="checkbox"/> Revision		
<b>* If Revision, select appropriate letter(s):</b> _____ <b>* Other (Specify):</b> _____		
<b>* 3. Date Received:</b> 07/19/2025		<b>4. Applicant Identifier:</b> _____
<b>5a. Federal Entity Identifier:</b> _____		<b>5b. Federal Award Identifier:</b> _____
<b>State Use Only:</b>		
<b>6. Date Received by State:</b> _____		<b>7. State Application Identifier:</b> _____
<b>8. APPLICANT INFORMATION:</b>		
<b>* a. Legal Name:</b> Kentucky Housing Corporation		
<b>* b. Employer/Taxpayer Identification Number (EIN/TIN):</b> 61-0864674		<b>* c. UEI:</b> N362127CFXC3
<b>d. Address:</b>		
<b>* Street1:</b> 1231 Louisville Road		
<b>Street2:</b> _____		
<b>* City:</b> Frankfort		
<b>County/Parish:</b> _____		
<b>* State:</b> KY: Kentucky		
<b>Province:</b> _____		
<b>* Country:</b> USA: UNITED STATES		
<b>* Zip / Postal Code:</b> 40601-6156		
<b>e. Organizational Unit:</b>		
<b>Department Name:</b> Multifamily Production		<b>Division Name:</b> MHTF
<b>f. Name and contact information of person to be contacted on matters involving this application:</b>		
<b>Prefix:</b> _____	<b>* First Name:</b> Terry	
<b>Middle Name:</b> _____		
<b>* Last Name:</b> Helton		
<b>Suffix:</b> _____		
<b>Title:</b> Managing Director, Multifamily Programs		
<b>Organizational Affiliation:</b> Kentucky Housing Corporation		
<b>* Telephone Number:</b> 502-564-7630		<b>Fax Number:</b> _____
<b>* Email:</b> thelton@kyhousing.org		


Application for Federal Assistance SF-424	
<p><b>* 9. Type of Applicant 1: Select Applicant Type:</b></p> <p> <input type="text" value="Federal Government"/> </p> <p>Type of Applicant 2: Select Applicant Type:</p> <p><input type="text"/></p> <p>Type of Applicant 3: Select Applicant Type:</p> <p><input type="text"/></p> <p>* Other (specify):</p> <p><input type="text"/></p>	
<p><b>* 10. Name of Federal Agency:</b></p> <p><input type="text" value="US Department of Housing and Urban Development"/></p>	
<p><b>11. Assistance Listing Number:</b></p> <p><input type="text" value="14775"/></p> <p>Assistance Listing Title:</p> <p><input type="text" value="Housing Trust Fund"/></p>	
<p><b>* 12. Funding Opportunity Number:</b></p> <p><input type="text"/></p> <p>Title:</p> <p><input type="text"/></p>	
<p><b>13. Competition Identification Number:</b></p> <p><input type="text"/></p> <p>Title:</p> <p><input type="text"/></p>	
<p><b>14. Areas Affected by Project (Cities, Counties, States, etc.):</b></p> <p><input type="text"/></p> <p style="text-align: right;"> <input type="button" value="Add Attachment"/> <input type="button" value="Delete Attachment"/> <input type="button" value="View Attachments"/> </p>	
<p><b>* 15. Descriptive Title of Applicant's Project:</b></p> <p><input type="text" value="Federal Housing Trust Fund - Housing"/></p>	
<p>Attach supporting documents as specified in agency instructions</p> <p style="text-align: right;"> <input type="button" value="Add Attachments"/> <input type="button" value="Delete Attachments"/> <input type="button" value="View Attachments"/> </p>	

Application for Federal Assistance SF-424	
16. Congressional Districts Of:	
* a. Applicant: <input type="text" value="R2-D6"/>	* b. Program/Project: <input type="text" value="R2-511"/>
Attach an additional list of Program/Project Congressional Districts if needed:	
<input type="text"/> <input type="button" value="Add Attachment"/> <input type="button" value="Delete Attachment"/> <input type="button" value="View Attachment"/>	
17. Proposed Project:	
* a. Start Date: <input type="text" value="07/01/2025"/>	* a. End Date: <input type="text" value="06/30/2026"/>
18. Estimated Funding (\$):	
* a. Federal	<input type="text" value="3,154,373.00"/>
* b. Applicant	<input type="text"/>
* c. State	<input type="text"/>
* d. Local	<input type="text"/>
* e. Other	<input type="text"/>
* f. Program Income	<input type="text"/>
* g. TOTAL	<input type="text" value="3,154,373.00"/>
* 19. Is Application Subject to Review By State Under Executive Order 12872 Process?	
<input type="checkbox"/> a. This application was made available to the State under the Executive Order 12872 Process for review on <input type="text"/>	
<input type="checkbox"/> b. Program is subject to E.O. 12872 but has not been selected by the State for review	
<input checked="" type="checkbox"/> c. Program is not covered by E.O. 12872	
* 20. Is the Applicant Delinquent On Any Federal Debt? (If "Yes," provide explanation in attachment.)	
<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	
If "Yes", provide explanation and attach:	
<input type="text"/> <input type="button" value="Add Attachment"/> <input type="button" value="Delete Attachment"/> <input type="button" value="View Attachment"/>	
21. "By signing this application, I certify (1) to the statements contained in the list of certifications** and (2) that the statements herein are true, complete and accurate to the best of my knowledge. I also provide the required assurances** and agree to comply with any resulting terms if I accept an award. I am aware that any false, fictitious, or fraudulent statements or claims may subject me to criminal, civil, or administrative penalties. (U.S. Code, Title 18, Section 1001)	
<input checked="" type="checkbox"/> ** AGRPFF	
** The list of certifications and assurances, or an internet site where you may obtain the list, is contained in the announcement or agency solicitation notice.	
Authorized Representative:	
Prefix: <input type="text"/>	* First Name: <input type="text" value="Jill"/>
Middle Name: <input type="text"/>	
* Last Name: <input type="text" value="Eckertson"/>	
Suffix: <input type="text"/>	
* Title: <input type="text" value="Deputy Executive Director, Partners Services"/>	
* Telephone Number: <input type="text" value="802-254-7630"/>	Fax Number: <input type="text"/>
* Email: <input type="text" value="jdec@22222@kshoedinc.com"/>	
* Signature of Authorized Representative: 	* Date Signed: <input type="text" value="07/07/2025"/>

**Application for Federal Assistance SF-424**


<b>* 1. Type of Submission:</b> <input type="checkbox"/> Preapplication <input checked="" type="checkbox"/> Application <input type="checkbox"/> Changed/Corrected Application		<b>* 2. Type of Application:</b> <input checked="" type="checkbox"/> New <input type="checkbox"/> Continuation <input type="checkbox"/> Revision		<b>* If Revision, select appropriate letter(s):</b> _____ <b>* Other (Specify):</b> _____
<b>* 3. Date Received:</b> 07/18/2025		<b>4. Applicant Identifier:</b> _____		
<b>5a. Federal Entity Identifier:</b> _____		<b>5b. Federal Award Identifier:</b> _____		
<b>State Use Only:</b>				
<b>6. Date Received by State:</b> _____		<b>7. State Application Identifier:</b> _____		
<b>8. APPLICANT INFORMATION:</b>				
<b>* a. Legal Name:</b> Kentucky Housing Corporation				
<b>* b. Employer/Taxpayer Identification Number (EIN/TIN):</b> 61-0864674		<b>* c. UEI:</b> W362787CFXC3		
<b>d. Address:</b>				
<b>* Street1:</b> 1231 Louisville Road				
<b>Street2:</b> _____				
<b>* City:</b> Frankfort				
<b>County/Parish:</b> _____				
<b>* State:</b> KY: Kentucky				
<b>Province:</b> _____				
<b>* Country:</b> USA: UNITED STATES				
<b>* Zip / Postal Code:</b> 40601-6156				
<b>e. Organizational Unit:</b>				
<b>Department Name:</b> Housing Contract Administratio		<b>Division Name:</b> HOEWA		
<b>f. Name and contact information of person to be contacted on matters involving this application:</b>				
<b>Prefix:</b> _____		<b>* First Name:</b> Curtis		
<b>Middle Name:</b> _____				
<b>* Last Name:</b> Stauffer				
<b>Suffix:</b> _____				
<b>Title:</b> Managing Director				
<b>Organizational Affiliation:</b> Kentucky Housing Corporation				
<b>* Telephone Number:</b> 502-564-7630		<b>Fax Number:</b> _____		
<b>* Email:</b> cstauffer@kyhousing.org				

Application for Federal Assistance SF-424	
<p><b>* 9. Type of Applicant 1: Select Applicant Type:</b></p> <input type="text" value="State Government"/>	
<p>Type of Applicant 2: Select Applicant Type:</p> <input type="text"/>	
<p>Type of Applicant 3: Select Applicant Type:</p> <input type="text"/>	
<p>Other (specify):</p> <input type="text"/>	
<p><b>* 10. Name of Federal Agency:</b></p> <input type="text" value="US Department of Housing and Urban Development"/>	
<p><b>11. Assistance Listing Number:</b></p> <input type="text" value="14,041"/>	
<p>Assistance Listing Title:</p> <input type="text" value="Housing Opportunities for Persons with AIDS"/>	
<p><b>* 12. Funding Opportunity Number:</b></p> <input type="text"/>	
<p>Title:</p> <input type="text"/>	
<p><b>13. Competition Identification Number:</b></p> <input type="text"/>	
<p>Title:</p> <input type="text"/>	
<p><b>14. Areas Affected by Project (Cities, Counties, States, etc.):</b></p> <input type="text"/>	
<p style="text-align: right;"> <input type="button" value="Add Attachment"/> <input type="button" value="Delete Attachment"/> <input type="button" value="View Attachment"/> </p>	
<p><b>* 15. Descriptive Title of Applicant's Project:</b></p> <input type="text" value="HOOPA Program - Kentucky"/>	
<p>Attach supporting documents (as specified in agency form) here:</p> <p style="text-align: right;"> <input type="button" value="Add Attachments"/> <input type="button" value="Delete Attachments"/> <input type="button" value="View Attachments"/> </p>	

Application for Federal Assistance SF-424	
16. Congressional Districts Of:	
*a. Applicant: <input type="text" value="KY-05"/>	*b. Program/Project: <input type="text" value="E-911"/>
Attach an additional list of Program/Project Congressional Districts if needed. <input type="text"/> <input type="button" value="Add Attachment"/> <input type="button" value="Delete Attachment"/> <input type="button" value="View Attachment"/>	
17. Proposed Project:	
*a. Start Date: <input type="text" value="09/20/2025"/>	*b. End Date: <input type="text" value="09/30/2026"/>
18. Estimated Funding (\$):	
*a. Federal	<input type="text" value="1,449,867.00"/>
*b. Applicant	<input type="text"/>
*c. State	<input type="text"/>
*d. Local	<input type="text"/>
*e. Other	<input type="text"/>
*f. Program Income	<input type="text"/>
*g. TOTAL	<input type="text" value="1,449,867.00"/>
*19. Is Application Subject to Review By State Under Executive Order 12872 Process?	
<input type="checkbox"/> a. This application was made available to the State under the Executive Order 12872 Process for review on <input type="text"/>	
<input type="checkbox"/> b. Program is subject to E.O. 12872 but has not been selected by the State for review.	
<input checked="" type="checkbox"/> c. Program is not covered by E.O. 12872.	
*20. Is the Applicant Delinquent On Any Federal Debt? (If "Yes," provide explanation in attachment.)	
<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	
If "Yes", provide explanation and attach <input type="text"/> <input type="button" value="Add Attachment"/> <input type="button" value="Delete Attachment"/> <input type="button" value="View Attachment"/>	
21. *By signing this application, I certify (1) to the statements contained in the list of certifications* and (2) that the statements herein are true, complete and accurate to the best of my knowledge. I also provide the required assurances* and agree to comply with any resulting terms if I accept an award. I am aware that any false, fictitious, or fraudulent statements or claims may subject me to criminal, civil, or administrative penalties. (U.S. Code, Title 18, Section 1001)	
<input checked="" type="checkbox"/> * I AGREE	
* The list of certifications and assurances, or an internet site where you may obtain this list, is contained in the announcement of agency specific instructions.	
Authorized Representative:	
*First Name: <input type="text"/>	*Last Name: <input type="text"/>
*Middle Name: <input type="text"/>	
*Law Name: <input type="text" value="Davidson"/>	
Suffix: <input type="text"/>	
*Title: <input type="text" value="Security Executive Director, Business Services"/>	
*Telephone Number: <input type="text" value="502-264-1630"/>	*Fax Number: <input type="text"/>
*Email: <input type="text" value="jacobsonk@kyhous.state.ky.us"/>	
*Signature of Authorized Representative: 	*Date Signed: <input type="text" value="11/17/2025"/>

Application for Federal Assistance SF-424		
<b>* 1. Type of Submission:</b> <input type="checkbox"/> Preapplication <input checked="" type="checkbox"/> Application <input type="checkbox"/> Changed/Corrected Application		
<b>* 2. Type of Application:</b> <input checked="" type="checkbox"/> New <input type="checkbox"/> Continuation <input type="checkbox"/> Revision		
<b>* If Revision, select appropriate letter(s):</b> _____ <b>* Other (Specify):</b> _____		
<b>* 3. Date Received:</b> 07/18/2025		<b>4. Applicant Identifier:</b> _____
<b>5a. Federal Entity Identifier:</b> _____		<b>5b. Federal Award Identifier:</b> _____
<b>State Use Only:</b>		
<b>6. Date Received by State:</b> _____		<b>7. State Application Identifier:</b> _____
<b>8. APPLICANT INFORMATION:</b>		
<b>* a. Legal Name:</b> Kentucky Housing Corporation		
<b>* b. Employer/Taxpayer Identification Number (EIN/TIN):</b> 61-0864674		<b>* c. UEI:</b> M362727CFXC3
<b>d. Address:</b>		
<b>* Street1:</b> 1231 Louisville Road		
<b>Street2:</b> _____		
<b>* City:</b> Frankfort		
<b>County/Parish:</b> _____		
<b>* State:</b> KY: Kentucky		
<b>Province:</b> _____		
<b>* Country:</b> USA: UNITED STATES		
<b>* Zip / Postal Code:</b> 40601-6156		
<b>e. Organizational Unit:</b>		
<b>Department Name:</b> Housing Contract Administratio		<b>Division Name:</b> HOME
<b>f. Name and contact information of person to be contacted on matters involving this application:</b>		
<b>Prefix:</b> _____		<b>* First Name:</b> Curtis
<b>Middle Name:</b> _____		
<b>* Last Name:</b> Stauffer		
<b>Suffix:</b> _____		
<b>Title:</b> Managing Director		
<b>Organizational Affiliation:</b> Kentucky Housing Corporation		
<b>* Telephone Number:</b> 502-564-7630		<b>Fax Number:</b> _____
<b>* Email:</b> cstauffer@kyhousing.org		

Application for Federal Assistance SF-424	
<p><b>* 8. Type of Applicant 1: Select Applicant Type:</b></p> <p>01: Other (Specify): <input type="text"/></p> <p><b>Type of Applicant 2: Select Applicant Type</b></p> <p><input type="text"/></p> <p><b>Type of Applicant 3: Select Applicant Type</b></p> <p><input type="text"/></p> <p><b>* Other (Specify):</b></p> <p><input type="text"/></p>	
<p><b>* 10. Name of Federal Agency:</b></p> <p>02: Department of Housing and Urban Development <input type="text"/></p>	
<p><b>11. Assistance Listing Number:</b></p> <p>14,230 <input type="text"/></p> <p><b>Assistance Listing Title:</b></p> <p>2006 - 2009 Home Investment Partnerships <input type="text"/></p>	
<p><b>* 12. Funding Opportunity Number:</b></p> <p><input type="text"/></p> <p><b>* Title:</b></p> <p><input type="text"/></p>	
<p><b>13. Competition Identification Number:</b></p> <p><input type="text"/></p> <p><b>Title:</b></p> <p><input type="text"/></p>	
<p><b>14. Areas Affected by Project (Cities, Counties, States, etc.):</b></p> <p><input type="text"/> <input type="button" value="Add Attachment"/> <input type="button" value="Delete Attachment"/> <input type="button" value="View Attachment"/></p>	
<p><b>* 15. Descriptive Title of Applicant's Project:</b></p> <p>ECHE Enhanced Apprenticeship Program - Kentucky <input type="text"/></p>	
<p>Attach supporting documents as specified in agency instructions.</p> <p><input type="button" value="Add Attachments"/> <input type="button" value="Delete Attachments"/> <input type="button" value="View Attachments"/></p>	

Application for Federal Assistance SF-424	
16. Congressional Districts Of:	
*a. Applicant <input type="text" value="KY-05"/>	*b. Program/Project <input type="text" value="11-RA-11"/>
Allow an additional file of Program/Project Congressional Districts (needed) <input type="text"/> <input type="button" value="Add Attachment"/> <input type="button" value="Delete Attachment"/> <input type="button" value="View Attachment"/>	
17. Proposed Project:	
*a. Start Date: <input type="text" value="07/01/2025"/>	*b. End Date: <input type="text" value="06/30/2026"/>
18. Estimated Funding (\$):	
*a. Federal	<input type="text" value="12,000,000.00"/>
*b. Applicant	<input type="text"/>
*c. State	<input type="text"/>
*d. Local	<input type="text"/>
*e. Other	<input type="text"/>
*f. Program Income	<input type="text" value="15,000.00"/>
*g. TOTAL	<input type="text" value="12,015,000.00"/>
*19. Is Application Subject to Review By State Under Executive Order 12372 Process? <input type="checkbox"/> a. This application was made available to the State Under the Executive Order 12372 Process for review on <input type="text"/> <input type="checkbox"/> b. Program is subject to E.O. 12372 but has not been selected by the State for review <input checked="" type="checkbox"/> c. Program is not covered by E.O. 12372	
*20. Is the Applicant Delinquent On Any Federal Debt? (If "Yes," provide explanation in attachment.) <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No If "Yes", provide explanation and attach <input type="text"/> <input type="button" value="Add Attachment"/> <input type="button" value="Delete Attachment"/> <input type="button" value="View Attachment"/>	
21. *By signing this application, I certify (1) to the statements contained in the list of certifications* and (2) that the statements herein are true, complete and accurate to the best of my knowledge. I also provide the required assurances* and agree to comply with any resulting terms if I accept an award. I am aware that any false, fictitious, or fraudulent statements or claims may subject me to criminal, civil, or administrative penalties. (U.S. Code, Title 18, Section 1001) <input checked="" type="checkbox"/> * I AGREE <small>* The list of certifications and assurances, or an internal site where you may obtain this list, is contained in the announcement or agency specific instructions.</small>	
Authorized Representative:	
Print <input type="text"/>	* First Name: <input type="text"/>
Middle Name: <input type="text"/>	
Last Name: <input type="text" value="Davidson"/>	
Suffix: <input type="text"/>	
* Title: <input type="text" value="Deputy Executive Director, Business Services"/>	
* Telephone Number: <input type="text" value="502-654-7520"/>	* Fax Number: <input type="text"/>
* Email: <input type="text" value="DavidsonK@kentucky.gov"/>	
* Signature of Authorized Representative: 	* Date Signed: <input type="text" value="07/17/2025"/>

**Applicant and Recipient  
Assurances and Certifications**

U.S. Department of Housing  
and Urban Development

OMB Number: 2501-0244  
Expiration Date: 02/28/2027

**Instructions for the HUD 424-B Assurances and Certifications**

As part of your application for HUD funding, you, as the official authorized to sign on behalf of your organization or as an individual, must provide the following assurances and certifications, which impose any requirements to submit an SF-424-B or SF-424-C. The Responsible Civil Rights Official (RCRO) use specified this form for use for purposes of general compliance with 24 CFR §§ 1.5, 3.115, 8.50, and 146.25, as applicable. The Responsible Civil Rights Official may require specific civil rights assurances to be furnished, consistent with those authorities and will specify the form on which such assurances must be made. A failure to furnish or comply with the civil rights assurances contained in this form may result in the proposed award being in default of compliance with 24 CFR §§ 1.8, 3.115, 8.57, or 146.30.

By submitting this form, you are stating that all assertions made in this form are true, accurate, and correct.

As the duly representative of the applicant, I certify that the applicant:

**Authorized Representative Name**

Prefix:		First Name:	Juan
Middle Name:			
Last Name:	Cervantes		
Suffix:			
Title:	Regional Director, Housing, Community Development Services		
Applicant Organization:	San Antonio Housing Corporation		

1. Has the legal authority to apply for Federal assistance; has the institutional, managerial and financial capability (including funds to pay the non-Federal share of program costs) to plan, manage and complete the program as described in the application; and the governing body has duly authorized the submission of the application, including these assurances and certifications, and authorized me as the official representative of the application to act in connection with the application and to provide any additional information as may be required.

2. Will administer the grant in compliance with Title VI of the Civil Rights Act of 1964 (42 U.S.C. 2001(d)) and implementing regulations (24 CFR part 1), which provide that no person in the United States shall, on the grounds of race, color or national origin, be excluded from participation in, or denied the benefits of, or otherwise be subject to discrimination under any program or activity that receives Federal financial assistance OR if the applicant is a Federally recognized Indian tribe or its tribal designated housing entity, is subject to the Indian Civil Rights Act (25 U.S.C. 1301-1302).

3. Will administer the grant in compliance with Section 504 of the Rehabilitation Act of 1973 (28 U.S.C. 794), as amended, and implementing regulations at 24 CFR part 8 and the Architectural Barriers Act (42 U.S.C. §§ 12101-12109), and implementing regulations at 24 CFR part 36 or 36, as applicable, and the Age Discrimination Act of 1975 (42 U.S.C. § 6101-07) as amended, and implementing regulations at 24 CFR part 148 which together provide that no person in the United States shall, on the grounds of disability or age, be excluded from participation in, be denied the benefits of, or otherwise be subjected to discrimination under any program or activity that receives Federal financial assistance; except if the grant program authorizes or limits participation to designated populations, then the applicant will comply with the non-discrimination requirements with the designated population.

4. Will comply with the Fair Housing Act (42 U.S.C. 3601-19) as amended, and the implementing regulations at 24 CFR part 100 which prohibit discrimination in housing on the basis of race, color, religion, sex, disability, familial status, or national origin and will affirmatively further fair housing, except an applicant which is an Indian tribe or its instrumentality which

is excluded by statute from coverage does not make this certification, and further except if the grant program authorizes or limits participation to designated populations then the applicant will comply with the non-discrimination requirements within the designated population.

5. Will comply with all applicable Federal non-discrimination requirements, including those listed at 24 CFR §§ 5.105(a) and 5.106 as applicable.

6. Will not use Federal funding to promote diversity, equity, and inclusion (DEI) mandates, policies, programs, or activities that violate any applicable Federal anti-discrimination laws.

7. Will comply with the acquisition and relocation requirements of the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970, as amended (42 U.S.C. 4801) and implementing regulations at 49 CFR part 24 and, as applicable, Section 104(f) of the Housing and Community Development Act of 1974 (42 U.S.C. 5304(f)) and implementing regulations at 24 CFR part 42, subpart A.

8. Will comply with the environmental requirements of the National Environmental Policy Act (42 U.S.C. 4321-4360) and related Federal authorities prior to the commitment or expenditure of funds for property.

9. That no Federal appropriated funds have been paid, or will be paid, by or on behalf of the applicant, to any person for influencing or attempting to influence an officer or employee of any agency, a Member of Congress, and officer or employee of Congress, or an employee of a Member of Congress, in connection with the awarding of this Federal grant or its extension, renewal, amendment or modification. If funds other than Federal appropriated funds have or will be paid for influencing or attempting to influence the persons listed above, I shall complete and submit Standard Form 11-1, Disclosure Form to Report Obeying, I certify that I shall require all subawards at all times (including sub-agents and contractors) to similarly certify and disclose accordingly.

Federally recognized Indian Tribes and tribal designated housing entities (TDHFs) established by Federally-recognized Indian tribes as a result of the exercise of the tribe's sovereign power are excluded from coverage by the Hyde Amendment, but State-recognized Indian tribes and TDHFs established under State law are not excluded from the statute's coverage.

I/We, the undersigned, certify under penalty of perjury that the information provided above is true, accurate, and correct.

**WARNING:** Anyone who knowingly submits a false claim or makes a false statement is subject to criminal and/or civil penalties, including confinement for up to 5 years, fines, and civil and administrative penalties. (18 U.S.C. §§287, 1001, 1010, 1012, 1014; 31 U.S.C. §§3729, 3802; 24 CFR §28.10(b)(1)(iii)).

\*Signature:

A handwritten signature in black ink is written over a yellow rectangular box. The signature is cursive and appears to be "J. J. [unclear]".

\*Date:

04/25/2025

## STATE CERTIFICATIONS

In accordance with the applicable statutes and the regulations governing the consolidated plan regulations, the State certifies that:

**Affirmatively Further Fair Housing** -- The State will affirmatively further fair housing.

**Uniform Relocation Act and Anti-displacement and Relocation Plan** -- It will comply with the acquisition and relocation requirements of the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970, as amended, (42 U.S.C. 4601-4655) and implementing regulations at 49 CFR Part 24. It has in effect and is following a residential anti-displacement and relocation assistance plan required under 24 CFR Part 42 in connection with any activity assisted with funding under the Community Development Block Grant or HOME programs.

**Anti-Lobbying** --To the best of the State's knowledge and belief:

1. No Federal appropriated funds have been paid or will be paid, by or on behalf of it, to any person for influencing or attempting to influence an officer or employee of any agency, a Member of Congress, an officer or employee of Congress, or an employee of a Member of Congress in connection with the awarding of any Federal contract, the making of any Federal grant, the making of any Federal loan, the entering into of any cooperative agreement, and the extension, continuation, renewal, amendment, or modification of any Federal contract, grant, loan, or cooperative agreement;
2. If any funds other than Federal appropriated funds have been paid or will be paid to any person for influencing or attempting to influence an officer or employee of any agency, a Member of Congress, an officer or employee of Congress, or an employee of a Member of Congress in connection with this Federal contract, grant, loan, or cooperative agreement, it will complete and submit Standard Form-LLL, "Disclosure Form to Report Lobbying," in accordance with its instructions; and
3. It will require that the language of paragraphs 1 and 2 of this certification be included in the award documents for all subawards at all tiers (including subcontracts, subgrants, and contracts under grants, loans, and cooperative agreements) and that all subrecipients shall certify and disclose accordingly.

**Authority of State** -- The submission of the consolidated plan is authorized under State law and the State possesses the legal authority to carry out the programs under the consolidated plan for which it is seeking funding, in accordance with applicable HUD regulations.

**Consistency with plan** -- The housing activities to be undertaken with Community Development Block Grant, HOME, Emergency Solutions Grant, and Housing Opportunities for Persons With AIDS funds are consistent with the strategic plan in the State's consolidated plan.

**Section 3** -- It will comply with section 3 of the Housing and Urban Development Act of 1968 (12 U.S.C. 1701u) and implementing regulations at 24 CFR Part 75.

  
Signature of Authorized Official

7/18/2025  
Date

Commissioner  
Title

### **Specific Community Development Block Grant Certifications**

The State certifies that:

**Citizen Participation** -- It is following a detailed citizen participation plan that satisfies the requirements of 24 CFR §91.115 and each unit of general local government that receives assistance from the State is following a detailed citizen participation plan that satisfies the requirements of 24 CFR §570.486.

#### **Consultation with Local Governments --**

1. It has consulted with affected units of local government in the nonentitlement area of the State in determining the method of distribution of funding;
2. It engages in or will engage in planning for community development activities;
3. It provides or will provide technical assistance to units of local government in connection with community development programs; and
4. It will not refuse to distribute funds to any unit of general local government on the basis of the particular eligible activity selected by the unit of general local government to meet its community development needs, except that a State is not prevented from establishing priorities in distributing funding on the basis of the activities selected.

**Local Needs Identification** -- It will require each unit of general local government to be funded to identify its community development and housing needs, including the needs of low-income and moderate-income families, and the activities to be undertaken to meet these needs.

**Community Development Plan** -- Its consolidated plan identifies community development and housing needs and specifies both short-term and long-term community development objectives that have been developed in accordance with the primary objective of the CDBG program (i.e., the development of viable urban communities, by providing decent housing and expanding economic opportunities, primarily for persons of low and moderate income) and requirements of 24 CFR Parts 91 and 570.

**Use of Funds** -- It has complied with the following criteria:

1. Maximum Feasible Priority. With respect to activities expected to be assisted with CDBG funds, it has developed its Action Plan so as to give maximum feasible priority to activities which benefit low and moderate income families or aid in the prevention or elimination of slums or blight. The Action Plan may also include activities which the grantee certifies are designed to meet other community development needs having particular urgency because existing conditions pose a serious and immediate threat to the health or welfare of the community, and other financial resources are not available.
2. Overall Benefit. In the aggregate, not less than 70 percent of the CDBG funds, including Section 108 guaranteed loans, received by the State during the following fiscal year(s) 2023, 2024, 2025 \_\_\_\_\_ [a period designated by the State of one, two, or three specific consecutive fiscal year(s)] will be used for activities that benefit persons of low and moderate income.

**3. Special Assessments.** It will not attempt to recover any capital costs of public improvements assisted with CDBG Funds, including Section 108 loan guaranteed funds, by assessing any amount against properties owned and occupied by persons of low and moderate income, including any fee charged or assessment made as a condition of obtaining access to such public improvements.

However, if CDBG funds are used to pay the proportion of a fee or assessment that relates to the capital costs of public improvements (assisted in part with CDBG funds) financed from other revenue sources, an assessment or charge may be made against the property with respect to the public improvements financed by a source other than CDBG funds.

In addition, in the case of properties owned and occupied by moderate-income (not low-income) families, an assessment or charge may be made against the property for public improvements financed by a source other than CDBG funds if the jurisdiction certifies that it lacks CDBG funds to cover the assessment.

**Excessive Force** -- It will require units of general local government that receive CDBG funds to certify that they have adopted and are enforcing:

1. A policy prohibiting the use of excessive force by law enforcement agencies within its jurisdiction against any individuals engaged in non-violent civil rights demonstrations; and
2. A policy of enforcing applicable State and local laws against physically barring entrance to or exit from a facility or location which is the subject of such non-violent civil rights demonstrations within its jurisdiction.

**Compliance with Anti-discrimination laws** -- The grant will be conducted and administered in conformity with title VI of the Civil Rights Act of 1964 (42 U.S.C. 2000d) and the Fair Housing Act (42 U.S.C. 3601-3619) and implementing regulations.

**Compliance with Laws** -- It will comply with applicable laws.

  
Signature of Authorized Official

7/18/2025

Date

Commissioner  
Title

**Specific HOME Certifications**

The State certifies that:

**Tenant Based Rental Assistance** -- If it plans to use HOME funds for tenant-based rental assistance, tenant-based rental assistance is an essential element of the State's consolidated plan.

**Eligible Activities and Costs** -- It is using and will use HOME funds for eligible activities and costs, as described in 24 CFR §92.205 through §92.209 and that it is not using and will not use HOME funds for prohibited activities, as described in §92.214.

**Subsidy Layering** -- Before committing any funds to a project, the State or its recipients will evaluate the project in accordance with the guidelines that it adopts for this purpose and will not invest any more HOME funds in combination with other Federal assistance than is necessary to provide affordable housing.

  
Signature of Authorized Official

7/18/2025  
Date

Commissioner  
\_\_\_\_\_  
Title

### **Emergency Solutions Grant Certifications**

Each State that seeks funding under the Emergency Solutions Grants Program must provide the following certifications:

**Matching Funds** – The State will obtain any matching amounts required under 24 CFR 576.201 in a manner so that its subrecipients that are least capable of providing matching amounts receive the benefit of the exception under 24 CFR 576.201(a)(2).

**Discharge Policy** – The State will establish and implement, to the maximum extent practicable and where appropriate, policies and protocols for the discharge of persons from publicly funded institutions or systems of care (such as health care facilities, mental health facilities, foster care or other youth facilities, or correction programs and institutions) in order to prevent this discharge from immediately resulting in homelessness for these persons.

**Confidentiality** – The State will develop and implement procedures to ensure the confidentiality of records pertaining to any individual provided family violence prevention or treatment services under any project assisted under the ESG program, including protection against the release of the address or location of any family violence shelter project, except with the written authorization of the person responsible for the operation of that shelter.

The State will ensure that its subrecipients comply with the following criteria:

**Major rehabilitation/conversion/renovation** – If an emergency shelter's rehabilitation costs exceed 75 percent of the value of the building before rehabilitation, the building will be maintained as a shelter for homeless individuals and families for a minimum of 10 years after the date the building is first occupied by a homeless individual or family after the completed rehabilitation. If the cost to convert a building into an emergency shelter exceeds 75 percent of the value of the building after conversion, the building will be maintained as a shelter for homeless individuals and families for a minimum of 10 years after the date the building is first occupied by a homeless individual or family after the completed conversion. In all other cases where ESG funds are used for renovation, the building will be maintained as a shelter for homeless individuals and families for a minimum of 3 years after the date the building is first occupied by a homeless individual or family after the completed renovation.

**Essential Services and Operating Costs** – If ESG funds are used for shelter operations or essential services related to street outreach or emergency shelter, the subrecipient will provide services or shelter to homeless individuals and families for the period during which the ESG assistance is provided, without regard to a particular site or structure, so long the applicant serves the same type of persons (e.g., families with children, unaccompanied youth, veterans, disabled individuals, or victims of domestic violence) or persons in the same geographic area.

**Renovation** – Any renovation carried out with ESG assistance shall be sufficient to ensure that the building involved is safe and sanitary.

**Supportive Services** – The subrecipient will assist homeless individuals in obtaining permanent housing, appropriate supportive services (including medical and mental health treatment, counseling, supervision, and other services essential for achieving independent living), and other Federal, State, local, and private assistance available for such individuals.

**Homeless Persons Involvement** – To the maximum extent practicable, the subrecipient will involve, through employment, volunteer services, or otherwise, homeless individuals and families in constructing, renovating, maintaining, and operating facilities assisted under ESG, in providing services assisted under the ESG program, and in providing services for occupants of facilities assisted ESG.

**Consolidated Plan** – All activities the subrecipient undertakes with assistance under ESG are consistent with the State's current HUD-approved consolidated plan.

  
Signature of Authorized Official

7/18/2025

Date

Commissioner  
Title

**Housing Opportunities for Persons With AIDS Certifications**

The State HOPWA grantee certifies that:

**Activities** -- Activities funded under the program will meet urgent needs that are not being met by available public and private sources.

**Building** -- Any building or structure assisted under the program shall be operated for the purpose specified in the consolidated plan:

1. For a period of not less than 10 years, in the case of any building or structure purchased, leased, rehabilitated, renovated, or converted with HOPWA assistance,
2. For a period of not less than 3 years, in the case of assistance involving non-substantial rehabilitation or repair of a building or structure.



Signature of Authorized Official

7/18/2025

Date

Commissioner

Title

## **APPENDIX TO CERTIFICATIONS**

### **INSTRUCTIONS CONCERNING LOBBYING CERTIFICATION:**

#### **Lobbying Certification**

This certification is a material representation of fact upon which reliance was placed when this transaction was made or entered into. Submission of this certification is a prerequisite for making or entering into this transaction imposed by section 1352, title 31, U.S. Code. Any person who fails to file the required certification shall be subject to a civil penalty of not less than \$10,000 and not more than \$100,000 for each such failure.

## STATE CERTIFICATIONS

In accordance with the applicable statutes and the regulations governing the consolidated plan regulations, the State certifies that:

**Affirmatively Further Fair Housing** – The State will affirmatively further fair housing.

**Uniform Relocation Act and Anti-displacement and Relocation Plan** – It will comply with the acquisition and relocation requirements of the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970, as amended, (42 U.S.C. 4601–4655) and implementing regulations at 49 CFR Part 24. It has in effect and is following a residential anti-displacement and relocation assistance plan required under 24 CFR Part #2 in connection with any activity assisted with funding under the Community Development Block Grant or HOME programs.

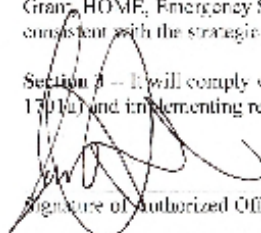
**Anti-Lobbying** – To the best of the State's knowledge and belief:

1. No Federal appropriated funds have been paid or will be paid, by or on behalf of it, to any person for influencing or attempting to influence an officer or employee of any agency, a Member of Congress, an officer or employee of Congress, or an employee of a Member of Congress in connection with the awarding of any Federal contract, the making of any Federal grant, the making of any Federal loan, the entering into of any cooperative agreement, and the extension, continuation, renewal, amendment, or modification of any Federal contract, grant, loan, or cooperative agreement;
2. If any funds other than Federal appropriated funds have been paid or will be paid to any person for influencing or attempting to influence an officer or employee of any agency, a Member of Congress, an officer or employee of Congress, or an employee of a Member of Congress in connection with this Federal contract, grant, loan, or cooperative agreement, it will complete and submit Standard Form-LLL, "Disclosure Form to Report Lobbying," in accordance with its instructions; and
3. It will require that the language of paragraphs 1 and 2 of this certification be included in the award documents for all subawards at all tiers (including subcontracts, subgrants, and contracts under grants, loans, and cooperative agreements) and that all subrecipients shall certify and disclose accordingly.

**Authority of State** – The submission of the consolidated plan is authorized under State law and the State possesses the legal authority to carry out the programs under the consolidated plan for which it is seeking funding, in accordance with applicable HUD regulations.

**Consistency with plan** – The housing activities to be undertaken with Community Development Block Grant, HOME, Emergency Solutions Grant, and Housing Opportunities for Persons With AIDS funds are consistent with the strategic plan in the State's consolidated plan.

**Section 7** – It will comply with section 7 of the Housing and Urban Development Act of 1968 (12 U.S.C. 1701a) and implementing regulations at 24 CFR Part 75.

  
Signature of Authorized Official

6/25/2025  
Date

Deputy Executive Director  
Title

### **Specific Community Development Block Grant Certifications**

The State certifies that:

**Citizen Participation** -- It is following a detailed citizen participation plan that satisfies the requirements of 24 CFR §91.115 and each unit of general local government that receives assistance from the State is following a detailed citizen participation plan that satisfies the requirements of 24 CFR §570.486.

#### **Consultation with Local Governments --**

1. It has consulted with affected units of local government in the nonentitlement area of the State in determining the method of distribution of funding;
2. It engages in or will engage in planning for community development activities;
3. It provides or will provide technical assistance to units of local government in connection with community development programs; and
4. It will not refuse to distribute funds to any unit of general local government on the basis of the particular eligible activity selected by the unit of general local government to meet its community development needs, except that a State is not prevented from establishing priorities in distributing funding on the basis of the activities selected.

**Local Needs Identification** -- It will require each unit of general local government to be funded to identify its community development and housing needs, including the needs of low-income and moderate-income families, and the activities to be undertaken to meet these needs.

**Community Development Plan** -- Its consolidated plan identifies community development and housing needs and specifies both short-term and long-term community development objectives that have been developed in accordance with the primary objective of the CDBG program (i.e., the development of viable urban communities, by providing decent housing and expanding economic opportunities, primarily for persons of low and moderate income) and requirements of 24 CFR Parts 91 and 570.

**Use of Funds** -- It has complied with the following criteria:

1. Maximum Feasible Priority. With respect to activities expected to be assisted with CDBG funds, it has developed its Action Plan so as to give maximum feasible priority to activities which benefit low and moderate income families or aid in the prevention or elimination of slums or blight. The Action Plan may also include activities which the grantee certifies are designed to meet other community development needs having particular urgency because existing conditions pose a serious and immediate threat to the health or welfare of the community, and other financial resources are not available.
2. Overall Benefit. In the aggregate, not less than 70 percent of the CDBG funds, including Section 108 guaranteed loans, received by the State during the following fiscal year(s) \_\_\_\_\_ [a period designated by the State of one, two, or three specific consecutive fiscal year(s)] will be used for activities that benefit persons of low and moderate income.

**3. Special Assessments.** It will not attempt to recover any capital costs of public improvements assisted with CDBG Funds, including Section 108 loan guaranteed funds, by assessing any amount against properties owned and occupied by persons of low and moderate income, including any fee charged or assessment made as a condition of obtaining access to such public improvements.

However, if CDBG funds are used to pay the proportion of a fee or assessment that relates to the capital costs of public improvements (assisted in part with CDBG funds) financed from other revenue sources, an assessment or charge may be made against the property with respect to the public improvements financed by a source other than CDBG funds.

In addition, in the case of properties owned and occupied by moderate-income (not low-income) families, an assessment or charge may be made against the property for public improvements financed by a source other than CDBG funds if the jurisdiction certifies that it lacks CDBG funds to cover the assessment.

**Excessive Force --** It will require units of general local government that receive CDBG funds to certify that they have adopted and are enforcing:

1. A policy prohibiting the use of excessive force by law enforcement agencies within its jurisdiction against any individuals engaged in non-violent civil rights demonstrations; and
2. A policy of enforcing applicable State and local laws against physically barring entrance to or exit from a facility or location which is the subject of such non-violent civil rights demonstrations within its jurisdiction.

**Compliance with Anti-discrimination laws --** The grant will be conducted and administered in conformity with title VI of the Civil Rights Act of 1964 (42 U.S.C. 2000d) and the Fair Housing Act (42 U.S.C. 3601-3619) and implementing regulations.

**Compliance with Laws --** It will comply with applicable laws.

\_\_\_\_\_  
Signature of Authorized Official

\_\_\_\_\_  
Date

\_\_\_\_\_  
Title

**Specific HOME Certifications**

The State certifies that:

**Tenant Based Rental Assistance** -- If it plans to use HOME funds for tenant based rental assistance, tenant based rental assistance is an essential element of the State's consolidated plan.

**Eligible Activities and Costs** -- It is using and will use HOME funds for eligible activities and costs, as described in 24 CFR §92.205 through §92.209 and that it is not using and will not use HOME funds for prohibited activities, as described in §92.214.

**Subsidy Layering** -- Before committing any funds to a project, the State or its recipients will evaluate the project in accordance with the guidelines that it adopts for this purpose and will not invest any more HOME funds in combination with other Federal assistance than is necessary to provide affordable housing.



Signature of Authorized Official

6/25/2025

Date

Deputy Executive Director  
Title

**Homeless Persons Involvement** To the maximum extent practicable, the subrecipient will involve, through employment, volunteer services, or otherwise, homeless individuals and families in constructing, renovating, maintaining, and operating facilities assisted under ESG, in providing services assisted under the ESG program, and in providing services for occupants of facilities assisted ESG.

**Consolidated Plan** All activities the subrecipient undertakes with assistance under ESG are consistent with the State's current HUD-approved consolidated plan.

  
Signature of Authorized Official

6/25/2025  
Date

Deputy Executive Director  
Title

### **Emergency Solutions Grant Certifications**

Each State that seeks funding under the Emergency Solutions Grants Program must provide the following certifications:

**Matching Funds** – The State will obtain any matching amounts required under 24 CFR 576.201 in a manner so that its subrecipients that are least capable of providing matching amounts receive the benefit of the exception under 24 CFR 576.201(a)(2).

**Discharge Policy** – The State will establish and implement, to the maximum extent practicable and where appropriate, policies and protocols for the discharge of persons from publicly funded institutions or systems of care (such as health care facilities, mental health facilities, foster care or other youth facilities, or correction programs and institutions) in order to prevent this discharge from immediately resulting in homelessness for these persons.

**Confidentiality** – The State will develop and implement procedures to ensure the confidentiality of records pertaining to any individual provided family violence prevention or treatment services under any project assisted under the ESG program, including protection against the release of the address or location of any family violence shelter project, except with the written authorization of the person responsible for the operation of that shelter.

The State will ensure that its subrecipients comply with the following criteria:

**Major rehabilitation/conversion/renovation** – If an emergency shelter's rehabilitation costs exceed 75 percent of the value of the building before rehabilitation, the building will be maintained as a shelter for homeless individuals and families for a minimum of 10 years after the date the building is first occupied by a homeless individual or family after the completed rehabilitation. If the cost to convert a building into an emergency shelter exceeds 75 percent of the value of the building after conversion, the building will be maintained as a shelter for homeless individuals and families for a minimum of 10 years after the date the building is first occupied by a homeless individual or family after the completed conversion. In all other cases where ESG funds are used for renovation, the building will be maintained as a shelter for homeless individuals and families for a minimum of 3 years after the date the building is first occupied by a homeless individual or family after the completed renovation.

**Essential Services and Operating Costs** – If ESG funds are used for shelter operations or essential services related to street outreach or emergency shelter, the subrecipient will provide services or shelter to homeless individuals and families for the period during which the ESG assistance is provided, without regard to a particular site or structure, so long the applicant serves the same type of persons (e.g., families with children, unaccompanied youth, veterans, disabled individuals, or victims of domestic violence) or persons in the same geographic area.

**Renovation** – Any renovation carried out with ESG assistance shall be sufficient to ensure that the building involved is safe and sanitary.

**Supportive Services** – The subrecipient will assist homeless individuals in obtaining permanent housing, appropriate supportive services (including medical and mental health treatment, counseling, supervision, and other services essential for achieving independent living), and other Federal, State, local, and private assistance available for such individuals.

**Housing Opportunities for Persons With AIDS Certifications**

The State HOPWA grantee certifies that:

**Activities** -- Activities funded under the program will meet urgent needs that are not being met by available public and private sources.

**Building** -- Any building or structure assisted under the program shall be operated for the purpose specified in the consolidated plan:

1. For a period of not less than 10 years, in the case of any building or structure purchased, leased, rehabilitated, renovated, or converted with HOPWA assistance.
2. For a period of not less than 3 years, in the case of assistance involving non-substantial rehabilitation or repair of a building or structure.



Signature of Authorized Official

6/25/2025  
Date

Deputy Executive Director  
Title

## **APPENDIX TO CERTIFICATIONS**

### **INSTRUCTIONS CONCERNING LOBBYING CERTIFICATION:**

#### **Lobbying Certification**

This certification is a material representation of fact upon which reliance was placed when this transaction was made or entered into. Submission of this certification is a prerequisite for making or entering into this transaction imposed by section 1352, title 31, U.S. Code. Any person who fails to file the required certification shall be subject to a civil penalty of not less than \$10,000 and not more than \$100,000 for each such failure.

## Appendix - Alternate/Local Data Sources

1	<b>Data Source Name</b> Survey Data
	<b>List the name of the organization or individual who originated the data set.</b> KHC and DLG
	<b>Provide a brief summary of the data set.</b> Online surveys were provided for completion by citizens, local governments, agencies, and other interested parties.
	<b>What was the purpose for developing this data set?</b> To provide needs information and comments.
	<b>How comprehensive is the coverage of this administrative data? Is data collection concentrated in one geographic area or among a certain population?</b> Statewide
	<b>What time period (provide the year, and optionally month, or month and day) is covered by this data set?</b> Consolidated Plan drafting phase
	<b>What is the status of the data set (complete, in progress, or planned)?</b> Complete
2	<b>Data Source Name</b> Balance of State CoC Facilities Data
	<b>List the name of the organization or individual who originated the data set.</b> Kentucky Housing Corporation
	<b>Provide a brief summary of the data set.</b> Housing inventory data from the Balance of State CoC.
	<b>What was the purpose for developing this data set?</b> Also used for the CoC application
	<b>Provide the year (and optionally month, or month and day) for when the data was collected.</b> 2014
	<b>Briefly describe the methodology for the data collection.</b> All available homeless beds
	<b>Describe the total population from which the sample was taken.</b> Shelters, transitional housing, permanent housing

	<p><b>Describe the demographics of the respondents or characteristics of the unit of measure, and the number of respondents or units surveyed.</b></p> <p>All CoC units</p>
<b>3</b>	<p><b>Data Source Name</b></p> <p>HOPWA CAPER Reports</p>
	<p><b>List the name of the organization or individual who originated the data set.</b></p> <p>Kentucky Housing Corporation</p>
	<p><b>Provide a brief summary of the data set.</b></p> <p>Data from the 2013 CAPER Reports, HOPWA Formula Funding, NonEntitlement</p>
	<p><b>What was the purpose for developing this data set?</b></p> <p>CAPER reports as required annually by HUD</p>
	<p><b>How comprehensive is the coverage of this administrative data? Is data collection concentrated in one geographic area or among a certain population?</b></p> <p>Persons with HIV/AIDS assisted under the nonentitlement formula Kentucky allocation of HOPWA</p>
	<p><b>What time period (provide the year, and optionally month, or month and day) is covered by this data set?</b></p> <p>FY2013</p>
	<p><b>What is the status of the data set (complete, in progress, or planned)?</b></p> <p>Complete</p>