

**Commonwealth of Kentucky
2012
Consolidated Annual Action Plan**

July 1, 2012 – June 30, 2013

COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM

HOME INVESTMENT PARTNERSHIPS PROGRAM

EMERGENCY SHELTER GRANT PROGRAM

HOUSING OPPORTUNITIES FOR PERSONS WITH AIDS PROGRAM

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**Submitted to:
U.S. Department of Housing and Urban Development**

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Executive Summary

Kentucky Housing Corporation (KHC) and the Department for Local Government (DLG) administer housing and community development programs with annual funding from the U.S. Department of Housing and Urban Development (HUD). The overall strategy for the use of funds from the Home Investment Partnerships (HOME) Program, the Community Development Block Grant (CDBG) Program, Emergency Shelter Grant (ESG) Program and Housing Opportunities for Persons with Aids (HOPWA) Program are outlined in Kentucky's Consolidated Plan. The current Consolidated Plan is for the period of federal fiscal years 2010 through 2014. The Consolidated Plan and this Action Plan can be accessed on KHC's Web site at www.kyhousing.org.

This annual Action Plan to Kentucky's 2010-2014 Consolidated Plan serves as the state's application for the appropriation of essential federal funds from HUD for the above-referenced programs through HUD's Office of Community Planning and Development (CPD). This Action Plan establishes the annual goals for affordable housing and community development in keeping with the overall strategy in the Consolidated Plan and covers the time period of July 1, 2012 to June 30, 2013. KHC is the lead agency for development of the annual Action Plan.

This Action Plan includes information about the overall goals and objectives for the coming year with a description of available resources and proposed actions to address the identified needs. It also includes information about the specific activities and allocation of available resources for the federal block grant programs covered by the Action Plan.

During federal fiscal year 2012 Kentucky plans to dedicate resources to existing initiatives that have been in place to address the housing and community development needs of persons of low to moderate income. In addition, approximately 10 percent of CDBG funds will be dedicated to providing operational costs to support the Recovery Kentucky Program.

During the time period covered by this Action Plan, KHC intends to continue to focus resources toward the housing needs of persons who are homeless and at risk of homelessness. KHC also intends to continue efforts to help individuals and families become self-sufficient and to increase the number of families who become homeowners. Through the Homeownership Protection Center established by state legislation, KHC is also focusing efforts on foreclosure prevention and mitigation using housing counseling funding and Hardest Hit Funds from the U.S. Treasury. Weatherization funds will be used to make homes more energy efficient.

Construction and rehabilitation of owner-occupied housing will be funded as well as funds for homeownership and rental assistance.

The HUD CDBG Program will provide assistance to communities for use in revitalizing neighborhoods, expand affordable housing and economic opportunities, provide

operational costs for Recovery Kentucky Substance Abuse Centers, provide infrastructure and improve community facilities. With the participation of their citizens, communities can devote these funds to a wide range of activities that best serve their own particular development priorities.

The overall housing goal of the Consolidated Plan is to provide decent, safe and affordable housing by maintaining and increasing affordable housing opportunities for lower-income Kentuckians. The overall goal for community development is to provide a suitable living environment and expanded economic opportunities for low-income people. These goals will be fulfilled by the activities described in this plan.

HUD has established a performance outcome measurement system for its programs. KHC and DLG have adopted the framework of HUD’s outcome measurement system as the foundation for establishing specific performance measures and outcomes for each HUD program covered by this plan. HUD’s basic framework is as follows:

	Outcome 1: Availability/Accessibility	Outcome 2: Affordability	Outcome 3: Sustainability
Objective 1: Suitable Living Environment	Enhance Suitable Living Environment Through Improved/New Accessibility	Enhance Suitable Living Environment Through Improved/New Affordability	Enhance Suitable Living Environment Through Improved/New Sustainability
Objective 2: Decent Housing	Create Decent Housing With New/Improved Availability	Create Decent Housing With New/Improved Affordability	Create Decent Housing With New/Improved Sustainability
Objective 3: Economic Opportunity	Provide Economic Opportunity Through Improved/New Accessibility	Provide Economic Opportunity Through Improved/New Affordability	Provide Economic Opportunity Through Improved/New Sustainability

Each activity, project and program funded by the programs covered by the Action Plan must meet the requirements of this framework.

Evaluation of Past Performance

Federal statutes governing these grant programs communicate three basic goals by which HUD evaluates performance under the plan. Kentucky's strategy for pursuing these three statutory goals is:

1. **Decent Housing**, which includes
 - assisting homeless persons obtain affordable housing;
 - assisting persons at risk of becoming homeless;
 - retaining affordable housing stock;

- increasing the availability of affordable permanent housing in standard condition to low-income and moderate-income families, particularly to members of disadvantaged minorities without discrimination on the basis of race, color, religion, sex, national origin, familial status or disability;
- increasing the supply of supportive housing which includes structural features and services to enable persons with special needs (including persons with HIV/AIDS) to live in dignity and independence; and
- providing affordable housing that is accessible to job opportunities.

2. **A Suitable Living Environment**, which includes

- improving the safety and livability of neighborhoods;
- eliminating blighting influences and the deterioration of property and facilities;
- increasing access to quality public and private facilities and services;
- reducing the isolation of income groups within areas through spatial de-concentration of housing opportunities for lower income persons and the revitalization of deteriorating neighborhoods;
- restoring and preserving properties of special historic, architectural or aesthetic value; and
- conserving energy resources and use of renewable energy sources.

3. **Expanded Economic Opportunities**, which includes

- job creation and retention;
- establishment, stabilization and expansion of small businesses (including micro-businesses);
- the provision of public services concerned with employment;
- the provision of jobs to low-income persons living in areas affected by those programs and activities, or jobs resulting from carrying out activities under programs covered by the plan;
- availability of mortgage financing for low-income persons at reasonable rates using non-discriminatory lending practices;
- access to capital and credit for development activities that promote the long-term economic and social viability of communities; and
- empowerment and self-sufficiency for low-income persons to reduce generational poverty in federally assisted housing and public housing.

Beginning in 2007, the state included HUD's framework for its outcome measurement system. Program activities were linked to the appropriate goal and objective identified in the matrix and performance measures were established. These measures are included in the Specific Objectives table located later in this plan.

The activities funded through the programs covered by the Consolidated Plan and other affordable housing programs are making an impact on affordable housing and community development in Kentucky. The demand for funding under the CDBG, HOME, ESG and HOPWA programs far exceeds the amount of funding available. In fact, the HOME program for this year has been subjected to a 40 percent budget cut,

which further hampers the state's ability to meet the affordable housing needs of low and moderate income households in the state.

Commitment and disbursement of funding under the programs has historically proceeded timely. The goals and performance measures outlined in the Specific Objectives table later in this plan will contain actual production information reported at the end of the fiscal year covered by the plan. The overall goals of providing affordable, decent housing, suitable living environments and expanded economic opportunities are being met. Kentucky does not believe an adjustment in its strategies is warranted at this time. Kentucky anticipates a focus on Compliance and Performance Measurement as important qualifiers for new project funding given the current economic climate.

Information on past performance is included in the Consolidated Annual Performance and Evaluation Report (CAPER). Data is collected on each performance measure and is reported annually. Data gathered about activities undertaken during the time period this Action Plan is in place (July 1, 2012 to June 30, 2013) will be reported in the CAPER submitted to HUD by September 29, 2013. Each CAPER is made available on KHC's Web site for a minimum of 14 days' public comment period prior to submission to HUD. Availability of the report for review and comment is advertised in the Louisville Courier-Journal and Lexington Herald-Leader newspapers as well as via KHC's EGram to more than 15,000 subscribers.

Citizen Participation

The state has adopted a Citizen Participation plan that is outlined in the 2010-2014 Consolidated Plan.

The State of Kentucky has adopted a citizen's participation plan to establish the policies and procedures that will be used to solicit citizen's input for the Consolidated Plan process. The policies are designed to encourage participation by low- and moderate-income persons, particularly those living in slums and blighted areas and in areas where CDBG funds are proposed to be used. The state will also encourage the participation of all Kentuckians, including minorities and non-English speaking persons, as well as persons with disabilities, and will provide accommodations as needed.

Prior to the development of the Consolidated Plan and this Action Plan the State of Kentucky, specifically the Department for Local Government and Kentucky Housing Corporation, held a public hearing to obtain views of citizens, public agencies, and other interested parties on community and housing needs on February 16, 2012. The hearing was advertised a minimum of 14 days in advance of the date. The public hearing also included information about the substantial amendment to the 2011 Action Plan pertaining to additional Emergency Solutions Grant (formerly Emergency Shelter Grant) (ESG) funding allocated to the state. In addition to discussion of needs pertaining to this Action Plan and the ESG amendment to the 2011 plan, the hearing also included information about the annual PHA Plan for the Housing Choice Voucher Program managed by KHC in 87 of Kentucky's 120 counties.

This was done to consolidate advertising costs for a substantial amendment to the existing Action Plan and to allow for adequate citizen notification of the Public Housing Agency Plan hearing which was held at the same time

The hearing was widely publicized through the use of direct electronic mail notification to more than 15,000 subscribers, Web announcements, at the Housing Policy Advisory Committee held prior to the hearing, and newspaper advertisements. At the hearing, the State presented information regarding the amount of funding the state expected to receive and the range of activities that may be undertaken.

Twenty four persons, including 14 staff members, attended the public hearing.

Rick McQuady, CEO of Kentucky Housing Corporation (KHC) opened the hearing and encouraged all in attendance to present needs information to take into consideration in the drafting of the plans.

Public Housing Agency Plan:

Vickie Dalton, Director of KHC's Tenant-Based Rental Assistance (Housing Choice Voucher) Program presented the 2011 Public Housing Agency (PHA) Plan, noting the number of vouchers in KHC's portfolio and the Homeownership voucher program. Because KHC is a high-performing agency, a streamlined plan is submitted. The plan has been available for public comment for a minimum of 45 days on KHC's website after being delivered to the Resident Advisory Board members for review and comment.

HOME Investment Partnerships Program:

Marilyn Harris, Director of Homeownership Project Management and Andrew Hawes, Director of Multifamily Finance, were available for questions and information. Ms. Harris stated that HOME funds are subject to a 39 percent decrease this fiscal year and KHC is expecting less than \$10 million. Due to this drastic cut, KHC is considering possible program changes including –

- A reduced maximum dollar amount requested per developer/applicant;
- Reduced development subsidy;
- Reduced maximum subsidy to the end beneficiary;
- Required repayment for all homebuyer and homeowner rehabilitation programs;
- Eliminating the resale option for projects funded through the GAP pool; and
- Inclusion of energy efficiency requirements

Ms. Harris stated that KHC will continue to allocate funding to tenant-based rental assistance.

Ms. Harris also stated that HUD has proposed changes to the regulations governing the HOME program and encouraged everyone to study them closely. Proposed changes

include changes to CHDO requirements that may affect the number of approved CHDOs in Kentucky. Maximum mortgage limits have been changed – KHC will no longer use the 221(d)(3) limits, but will use 95 percent of area median value or the Census median sales prices for units outside of a metropolitan statistical area. She highlighted some additional changes that sub-recipients need to keep in mind and encouraged them to read the HOMD program proposed rule to become familiar with them, including:

- There are restrictions on fees that are permissible and who can charge them.
- Match requirements have changed.
- The FY2012 Appropriation included new requirements including:
 - Repayment of funding for developments that are not completed within four years of their commitment dates. HUD can extend the deadline for one year if the delay is beyond the control of the participating jurisdiction (PJ).
 - None of the funds can be committed to developments unless KHC certifies that it has conducted an underwriting review, assessed developer capacity and fiscal soundness, and examined neighborhood market conditions to ensure adequate need for each development.
 - Any homeownership unit funded with HOME money must be sold within six months of completion. If not, the unit must be rented to an eligible tenant.
 - No funds may be awarded for development activities to a community housing development organization (CHDO) that cannot demonstrate that it has staff with development experience.

Community Development Block Grant (CDBG) Program:

Lynn Travis Littrell, Executive Director of the Office of Federal Grants with the Department for Local Government (DLG) stated that this hearing is the first of two public hearings pertaining to the CDBG program, with the second scheduled for March 7. Ms. Littrell stated that the CDBG program was subject to a \$1.8 million reduction in funding this year. DLG anticipated continuing funding the same activities as in the past, with dollars divided between activities by percentage similar to past years.

Emergency Solutions Grant (ESG) Program:

Jill House, KHC ESG Program Specialist explained that HUD has issued an interim rule for the new ESG program (formerly Emergency Shelter Grant program). HUD also allocated an additional \$779,000 for the 2011 program year which is governed by the new ESG regulations. She encouraged everyone to become familiar with the new regulations and to offer comment to KHC on proposed uses for the funds. The activities under the program are divided into major categories – street outreach (triage); emergency shelter (essential services, operations, renovations); homeless prevention; and rapid re-housing.

Information provided at the hearing as well as through other meetings will be taken into consideration by KHC in developing the new ESG plan.

Housing Opportunities for Persons with AIDS (HOPWA) Program:

Heather Harvey, KHC HOPWA Program Representative stated that the HOPWA program has been designed to provide renewal funding for existing care region sub-recipients and remains in that cycle this year. There will be no new applications accepted unless an existing sub-recipient ends its program

Comments:

Tammy Jacobson, Northern Kentucky Community Action Council, encouraged KHC to utilize ESG funding for rapid re-housing and prevention activities.

Myralee Smith-Cowley, Federation of Appalachian Housing Enterprises (FAHE), presented written comments from the FAHE member entities and encouraged KHC to utilize the Housing Policy Advisory Committee (HPAC) when making determinations on how to allocate funding. Bernadette Hillman, KHC Policy Analyst, stated that KHC was undertaking an assessment of the state's housing needs including surveying the general public and housing and service providers to obtain information on needs statewide. She encouraged everyone at the hearing to participate in the surveys and to inform their peers of the availability of the survey.

In addition to oral comments, FAHE provided written comments at the hearing. FAHE's written comments are summarized as follows:

- Eastern Kentucky continues to suffer from extremely high levels of poverty and a large number of substandard rental and homeownership units.
- Incomes are extremely low, preventing a large number of families from being able to afford rent for a modest two-bedroom apartment – homeownership (the best possibility for wealth and asset building) is out of reach. Serving this area requires deep subsidies.
- FAHE recommends program design that allows communities to address local needs, including supporting CHDO's in their efforts to increase housing production. Operating funding for these organizations allow them to increase capacity and pursue other forms of funding. FAHE requests more than 15 percent of HOME funds be allocated to CHDOs.
- FAHE encourages KHC to utilize funding to increase returns, create confidence through guarantees and make Kentucky investor-friendly. FAHE states that KHC's use of funds for internal initiatives is detrimental to its members.
- FAHE encourages funding TBRA activities.
- FAHE also encourages promoting flexibility and creating incentives to allow developers to increase production of affordable single family and rental units stating that the 2010 non-housing credit rental production application round verified the need and desire for smaller rental production activities.

- FAHE suggests that KHC utilize loans incrementally forgiven over 30 years rather than a long time deferred loan.
- FAHE requested that DLG increase the CDBG dollars allocated to housing needs across the Commonwealth and to consider a mechanism to address housing deficiencies in Appalachian Regional Commission counties.
- FAHE suggests that CDBG funds continue to be utilized for operations of Recovery Kentucky centers with good operating practices.

Joe Gomes, Gateway Children's Services, asked if there was a shift from operations to services funding with the new ESG program, stating it wasn't clear from reading the proposed ESG rule. Jill House stated that they are still a major component and the new rule better-defines activities. HUD is promoting homelessness prevention and rapid re-housing, and services are still a component.

Mr. Gomes followed up his question at the public hearing with written comments from Gateway Children's Services in which they request that the entire supplemental allocation of 2011 funds be allotted to current Kentucky HEARTH and ESG recipients who have demonstrated an ability to successfully administer funds. They also request that KHC maintain an emphasis on funding shelter operations in the 2012 allocation at a higher level than in the past. While they agree with the emphasis on rapid re-housing, this process still takes time, and in the interim, operating funds will keep shelters in operation as a temporary measure until permanent housing can be obtained.

Mr. Gomes sent an additional written comment in the days following the hearing pertaining to the requirement for ESG that the applicant obtain a letter of support from each county Judge Executive/Mayor for all locations served. He stated that this requirement would be nearly impossible to meet if the project is statewide in service area and would require an enormous amount of staff time and cost. He requested that this requirement be vetted prior to finalization.

Written comment was received by Debbie Sivis, Shelter of Hope, immediately following the February hearing in which she states her concern about limiting services to homeless or at risk families who are below 30 percent of area median income for her area (Ashland, KY). The Kentucky HEARTH program allowed them to serve those in the 31 to 50 percent income bracket. The number of families of mid and low income are significant, especially the working poor. She hopes they will be able to serve those in the 31 to 50 percent income bracket with the new funding.

Dave Kreher, People's Self-Help Housing, provided written comments in the days following the hearing, including requesting additional information be provided by KHC in its legal notice that provides more specificity in what comments are being requested. HUD's notice concerning changes to the ESG program constituted more than 100 pages of information to be reviewed prior to comment. He suggested, as did FAHE, that the 2011 ESG supplemental funding be allocated to current HEARTH program participants based on performance. Mr. Kreher also suggested that 30 percent of the ESG allocation be targeted to homelessness prevention, 30 percent to rapid-re-housing

assistance and the remainder be utilized for the remaining eligible activities. He stated that the housing relocation and stabilization component of ESG could be paid for with HOME TBRA funding.

Mr. Kreher also suggested that KHC manage a centralized assessment system so that the many and diverse providers would be using the same guidelines and forms. Because of KHC's current role with the balance of state Continuum of Care, KHC is well positioned to operate a centralized assessment system.

After the public hearing, but during the time period the Action Plan was drafted, additional written comments were received. Also during this time, KHC undertook an online survey as part of a larger housing needs assessment. The details of that assessment and the survey results are located on KHC's Web site at:

http://www.kyhousing.org/uploadedFiles/Data_Library/Publications_and_Reports/HousingStudyBroch906.pdf?n=2719

In addition, this Action Plan was made available for written comment from April __ through May __, 2012 following the same advertising and public notice protocols as for the hearing.

Additional information about the Citizen Participation Plan is available in the Five-Year Strategic Plan.

Summary of Comments Received

Comments were received prior to drafting the plan as detailed above. During the additional public comment period the following comments were received:

RESERVED FOR COMMENTS RECEIVED DURING THE 30 DAY PUBLIC COMMENT PERIOD

The following comments were not accepted:

RESERVED

Resources

The federal, state, and local resources (including program income) the Commonwealth of Kentucky expects to receive to address the needs identified in the plan are detailed below. Federal resources include Section 8 funds made available to the jurisdiction, Low-Income Housing Tax Credits, and competitive McKinney-Vento Homeless Assistance Act funds expected to be available to address priority needs and specific objectives identified in the strategic plan.

FY 2012 Funds	Program Name
\$23,102,002	Community Development Block Grant Program
\$9,932,341	HOME Investment Partnerships Program
\$2,485,521	Emergency Solutions Grant Program
\$510,929	Housing Opportunities for Persons With AIDS Program

Sources of Funds

Federal and Non-federal Resources

Listed below are federal resources (F) and nonfederal resources (N) that the state anticipates will be available to address the priority needs identified in the strategic plan in addition to the four block grant programs. The list includes programs that support each strategic priority.

Those in the first table are additional programs and sources of funding administered by KHC or DLG and include activities to further affordable housing, community development and economic development goals. Programs marked with “*” are funded under the 2009 American Recovery and Reinvestment Act (ARRA) or the 2008 Troubled Asset Relief Program (TARP). The second table includes a brief description of other funds and programs that may be available in the state for affordable housing or community and economic development activities.

The following table outlines programs undertaken by DLG or KHC:

Program	Description/Funding Source	Agency
Affordable Housing Trust Fund (N)	State funds and KHC funds supporting projects that assist households at or below 60 percent of area median income with a variety of housing needs including rental development, new development of single family homebuyer units or rehabilitation of existing housing.	KHC
Appalachian Regional Commission Funding (F)	A portion of the annual allocation to DLG is sub-allocated to KHC each year for housing-related infrastructure in distressed Appalachian counties	DLG and KHC
Chafee Room and Board (F)	Provides short-term rent and utility assistance and household set-up funds for homeless young adults aged 18-21 who age out of the foster care system	KHC (under contract with the state)
* Hardest Hit Funds (F)	2008 TARP funding from the U.S. Treasury	KHC

Program	Description/Funding Source	Agency
	for Kentucky's Unemployment Bridge Program, used to assist eligible unemployed homeowners with mortgage payments	
* Homeless Prevention and Rapid Re-housing Program (F)	2009 ARRA funding from HUD utilized for the payment of rental assistance, counseling and other eligible activities to prevent homelessness and rapidly re-house homeless families.	KHC
Kentucky Transitions (Money Follows the Person) (F)	Assists persons with disabilities who are seeking to voluntarily leave care facilities and transition to housing within the community	KHC (under contract with the state)
Housing Assistance Fund (N)	Administered with KHC funds from fee income from various areas within the corporation, funds are used for various affordable housing programs and activities	KHC
Housing Choice Voucher Program (F)	Voucher-based rental assistance (also commonly known as Section 8) administered by KHC in 87 of Kentucky's 120 counties. KHC has also allocated a limited number of vouchers as "project-based" meaning they are designated for specific housing units owned and managed by affordable housing providers	KHC
Housing Development Fund (N)	Administered with KHC funds, this program provides loans for rental modernization, revolving single family mortgage loan funds and other affordable housing activities. Program income is recycled to additional housing activities.	KHC
Housing Counseling (F)	HUD funding and funding from NeighborWorks paid to nonprofit housing counseling agencies for housing and foreclosure prevention counseling activities	KHC
Low Income Housing Tax Credit (F)	Multifamily new construction and rehabilitation activities funded through equity infusion by investors in exchange for tax credits	KHC
Mortgage Revenue Bonds (N)	Single family mortgage loans and multifamily conduit financing financed through the sale of tax-exempt mortgage revenue bonds	KHC

* Neighborhood Stabilization Program (F)	2008 Troubled Asset Relief Program (TARP) funding from HUD utilized for homeownership assistance	DLG
Project-Based Rental Assistance (F)	Affordable rental housing units owned by various entities throughout the state. KHC currently acts as contract administrator on behalf of HUD for more than 22,850 housing units	KHC
Repair Affair (N)	Home repair program	KHC
Risk-Sharing Program (F/N)	Multifamily new construction financing tool insured partially by HUD with the remaining risk assumed by KHC	KHC
Rural Housing and Economic Development (F)	HUD funds utilized in conjunction with the construction and/or rehabilitation of permanent supportive housing units	KHC
Section 8 for SROs (F)	Designed to provide rental assistance to homeless individuals in rehabilitated Single Room Occupancy housing.	KHC
Shelter Plus Care (F)	Designed to provide rental assistance for homeless households that have an adult member with a disability	KHC
Small Multifamily Affordable Loan Program (N)	Administered with KHC funds, this program provides loans to multifamily projects for construction and rehabilitation of multifamily housing projects containing 12 units or less	KHC
Supportive Housing (F)	Designed to provide funds for development of permanent supportive housing and supportive services to assist disabled homeless persons transition to independent living	KHC
* Tax Credit Assistance Program (F)	2009 ARRA funding from HUD utilized for new construction and rehabilitation activities for projects unable to utilize Low Income Housing Tax Credits due to a downturn in the economy	KHC
* Tax Credit Exchange Program (F)	2008 TARP funding from the U.S. Treasury used to replace Low-Income Housing Tax Credits allocated to multifamily projects which were unable to proceed due to the economic downturn	KHC
Weatherization Assistance Program (F)	Formula funding from the U.S. Department of Energy for the weatherization of income-eligible single family and multifamily housing units	KHC

* Weatherization Training Centers	2009 ARRA funds from the U. S. Department of Energy allocated to Community Colleges and Area Technology Centers to establish training programs for future weatherization workers	KHC
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Several additional affordable housing and economic development programs are active in the state of Kentucky although not administered under this plan or by KHC or DLG. Additional agencies and entities that offer programs and funding are:

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

Leveraging Resources

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

There are several block grant programs that are allocated by the state through a competitive system. This system provides an incentive for applicants to include leverage and matching funds in the project that count toward federal match requirements. Some programs award points to applicants that propose more than the required leverage and matching funds. This encourages applicants to blend funds with other programs to provide for affordable housing opportunities. Other programs require a set amount of proposed match and/or leverage to be eligible for funding.

For example, KHC requires all HOME Program applicants match their total HOME request with at least 10 percent of HOME-eligible matching sources. Applicants are also encouraged to contribute additional funds to their project, including, but not limited to, bank loans and other state and federal grants/loans.

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

Each ESG recipient must match the funding provided by ESG with an equal amount of funds from other sources. These funds must be provided after the date of the grant award. In calculating matching funds, recipients may include the value of any donated material or building, the value of the lease of a building, staff salaries paid by the grantee and volunteer time (calculated at \$5/hour). The recipient may not include funds used to match any previous ESG grant.

It is anticipated that matching funds will come from a variety of sources, both public and private. Each sub-recipient of ESG funds will be required to match their allocation at a one-to-one level or higher. Because many agencies will be able to use in-kind donations of both goods and services as well as cash contributions, it is anticipated that the Kentucky State ESG program will access a sufficient amount of matching funds.

HOPWA recipients are not required to meet a minimum match requirement, but recipients must coordinate their funding with the administration of federal and state AIDS service funding. Leverage is also one of the five factors used in evaluating and ranking HOPWA proposals.

In general, CDBG applicants receive higher priority for funding if they provide matching funds.

Annual Objectives

Goals and objectives to be carried out during the action plan period are indicated by placing a check in the following boxes.

<input checked="" type="checkbox"/>	Objective Category Decent Housing	<input checked="" type="checkbox"/>	Objective Category: Suitable Living Environment	<input checked="" type="checkbox"/>	Objective Category: Expanded Economic Opportunities
	Which includes:		Which includes:		Which includes:
<input checked="" type="checkbox"/>	assisting homeless persons obtain affordable housing	<input checked="" type="checkbox"/>	improving the safety and livability of neighborhoods	<input checked="" type="checkbox"/>	job creation and retention
<input checked="" type="checkbox"/>	assisting persons at risk of becoming homeless	<input checked="" type="checkbox"/>	eliminating blighting influences and the deterioration of property and facilities	<input checked="" type="checkbox"/>	establishment, stabilization and expansion of small business (including micro-businesses)
<input checked="" type="checkbox"/>	retaining the affordable housing stock	<input checked="" type="checkbox"/>	increasing the access to quality public and private facilities	<input checked="" type="checkbox"/>	the provision of public services concerned with employment
<input checked="" type="checkbox"/>	increasing the availability of affordable permanent housing in standard condition to low-income and moderate-income families, particularly to members of disadvantaged minorities without discrimination on the basis of race, color, religion, sex, national origin, familial status, or disability	<input checked="" type="checkbox"/>	reducing the isolation of income groups within areas through spatial deconcentration of housing opportunities for lower income persons and the revitalization of deteriorating neighborhoods	<input checked="" type="checkbox"/>	the provision of jobs to low-income persons living in areas affected by those programs and activities under programs covered by the plan
<input checked="" type="checkbox"/>	increasing the supply of supportive housing which includes structural features and services to enable persons with special needs (including persons with HIV/AIDS) to live in dignity and independence	<input checked="" type="checkbox"/>	restoring and preserving properties of special historic, architectural, or aesthetic value	<input checked="" type="checkbox"/>	availability of mortgage financing for low income persons at reasonable rates using non-discriminatory lending practices
<input checked="" type="checkbox"/>	providing affordable housing that is accessible to job opportunities	<input checked="" type="checkbox"/>	conserving energy resources and use of renewable energy sources	<input checked="" type="checkbox"/>	access to capital and credit for development activities that promote the long-term economic social viability of the community

Summary of Specific Objectives

Kentucky's block grant funds will be distributed throughout the state on a competitive basis for eligible activities through several methods described in the program guidelines for each program. Units of local government, nonprofit and for-profit entities will be able to apply for funding to carry out eligible activities. This distribution system allows eligible agencies to apply for funding for activities that will address the priority needs for their community. In addition, funds awarded to local communities will also address the priority needs addressed in the state's Consolidated Plan.

Eligible activities and recipient types for each block grant program are specifically addressed in their distribution plan, which is contained in this Action Plan. In addition, a summary of eligible activities for each block grant program is listed in the Sources of Funding section of this Action Plan. In addition, a table containing specific objectives and performance measures for each program is located in the Specific Objectives section of this plan.

The needs outlined in the Consolidated Plan address a variety of needs for affordable housing and community development that were derived from input at local levels across the state. The plan represents a wide array of needs. While one particular community may need rental housing production at a specific site, another community may need homeowner rehabilitation over a scattered site. For the state to address its community needs, the block grant programs need a level of flexibility for eligible activities to be undertaken. The state will support any application for funding under both federal and private sources that will assist the state in meeting any category of need for affordable housing and community development.

During the time period covered by this Action Plan, KHC intends to continue to focus resources toward the housing needs of persons who are homeless and at risk of homelessness. KHC also intends to continue efforts to help individuals and families become self-sufficient and to increase the number of families who become homeowners. Through the Homeownership Protection Center established by state legislation, KHC is also focusing efforts on foreclosure prevention and mitigation. Hardest Hit Funds from the U.S. Treasury will be used for foreclosure prevention. Weatherization funds and other funds from the Department of Energy will be used to make homes more energy efficient.

Construction and rehabilitation of owner-occupied housing will be funded as well as funds for homeownership and rental assistance.

The Non-Housing Community Development Plan identifies Kentucky's priority non-housing community development needs across the state. Both long-term and short-term objectives were developed to assist the state in meeting these needs. The primary source of federal funding allocated for these activities is the CDBG Program.

The HUD CDBG Program provides assistance to communities for use in revitalizing neighborhoods, expanding affordable housing and economic opportunities, providing infrastructure, improving community facilities, and providing operational costs for Recovery Kentucky substance abuse centers. With the participation of their citizens, communities can devote these funds to a wide range of activities that best serve their own particular development priorities.

The overall housing goal of the Consolidated Plan is to provide decent, safe and affordable housing by maintaining and increasing affordable housing opportunities for lower-income Kentuckians. The overall goal for community development is to provide a suitable living environment and expanded economic opportunities for low-income people.

The overall goal of the Non-Housing Community Development Plan is to provide a suitable living environment and expand economic opportunities for low-income Kentuckians.

Description of Activities

The four block grant programs covered by this plan will fund applications for the following eligible activities:

PROGRAM ACTIVITIES	CDBG	HOME	ESG	HOPWA
Homeowner				
Owner-occupied rehabilitation	X	X		
New Construction Financing	X	X		
Short Term Mortgage & Utility Assistance				X
Home Buyer				
Down Payment/Closing Cost Assistance	X	X		
First Mortgage Loans		X		
Acquisition of existing units	X	X		
Rental				
Supportive Housing				
Multifamily Preservation/Rehabilitation		X		X
Multifamily New Construction	X	X		X (SRO)
Multifamily Acquisition	X	X		X
Equity Enhancement				
Leveraging Other Funding Sources				
Tenant-Based Rental Assistance		X		X
Project-Based Rental Assistance				X
Short-Term Rental/Utility Assistance				X
Emergency Housing	X			
Operating or Administrative		X	X	X
Essential Supportive Services			X	X
Homeless Prevention			X	
Rapid Re-Housing			X	
Homeless Management Information System			X	
Street Outreach			X	
Resource Identification				X
Housing Information Services				X
Economic/Community Development				
Microenterprise Development	X			
Economic Development	X			
Construction of Public Facilities and Improvements	X			

The following table details the specific objectives of each program, performance measures and the goals set for each objective.

Specific Obj. #	Outcome/Objective	Sources of Funds	Performance Indicators	Program Year	Expected Number	Actual Number	Percent Completed
	Specific Annual Objectives						
DH-1	Availability/Accessibility of Decent Housing						
DH-1.1	Address the need for available/accessible decent housing by offering direct homebuyer assistance (down payment, closing costs) to qualified families	HOME	Number of households receiving homebuyer assistance	2010	684	369	54%
				2011	710		
				2012	450		
				2013	300		
				2014	300		
		MULTI-YEAR GOAL				2,444	369
DH-2	Affordability of Decent Housing						
DH-2.1	Address the need for affordable decent housing by offering tenant-based rental assistance	HOME	Households assisted	2010	240	589	245%
				2011	240		
				2012	300		
				2013	300		
				2014	300		
		MULTI-YEAR GOAL				1,380	589
DH-2.2	Address the need for affordable decent housing and supportive services for families with persons who have HIV/AIDS by providing short-term rental/mortgage and utility assistance, longer term rental assistance and supportive services.	HOPWA	Households assisted	2010	575	545	95%
				2011	575		
				2012	575		
				2013	575		
				2014	575		
		MULTI-YEAR GOAL				2,875	514
DH-2.3	Address the need for affordable decent housing by rehabilitating existing single family housing stock and creating new single family housing stock	CDBG	Number of units	2010	40	13	32.5%
				2011	30		
				2012	25		
				2013	25		
				2014	25		
		MULTI-YEAR GOAL				145	13

DH-2.4	Address the need for affordable decent housing by offering assistance for the acquisition, rehabilitation and new construction of rental housing to serve low and very low income households	HOME	Number of units	2010	250	35	14%
				2011	100		
				2012	25		
				2013	25		
				2014	25		
MULTI-YEAR GOAL				425	35	8%	
DH-2.5	Address the need for affordable decent housing by offering assistance for the acquisition and new construction of rental housing to serve LMI families	CDBG	Number of units	2010	5	0	0%
				2011	5		
				2012	5		
				2013	5		
				2014	5		
MULTI-YEAR GOAL				25	0	0%	
DH-2.6	Address the need for affordable decent housing by offering homeowner housing development	HOME	Number of units	2010	60	94	157%
				2011	60		
				2012	40		
				2013	40		
				2014	40		
MULTI-YEAR GOAL				240	94	39%	
DH-2.7	Address the need for affordable decent housing by offering homeless prevention and rapid re-housing assistance in conjunction with services	ESG	Number of persons	2010	N/A	N/A	N/A
				2011	2,115		
				2012	1,976		
				2013	1,976		
				2014	1,976		
MULTI-YEAR GOAL				8,043	0	0%	

DH-3	Sustainability of Decent Housing						
DH-3.1	Address the need for sustainable decent housing by offering owner-occupied housing rehabilitation assistance to qualified households.	HOME	Number of households receiving rehabilitation assistance	2010	70	35	50%
				2011	70		
				2012	35		
				2013	35		
				2014	35		
MULTI-YEAR GOAL				245	35	14%	
SL-3	Sustainability of Suitable Living Environment						
SL-3.1	Address the need for sustaining a suitable living environment by supporting facilities that provide services, homeless prevention and emergency shelter housing.	ESG	Number of persons	2010	9,600	9,764	102%
				2011	9,000		
				2012	8,600		
				2013	8,600		
				2014	8,600		
MULTI-YEAR GOAL				44,400			
EO-1	Availability/Accessibility of Economic Opportunity						
EO-1.1	Provide economic opportunity through Economic Development, Microenterprise Development and Community Projects that will benefit LMI persons	CDBG	Jobs created/retained	2010	219	219	100%
				2011	99		
				2012	143		
				2013	143		
				2014	143		
MULTI-YEAR GOAL				747	219	29%	
CR-1	Community Revitalization						
CR-1.1	Enhance the availability/accessibility of neighborhoods through the new construction of public facilities to benefit qualifying communities with higher levels of LMI persons	CDBG	Number of facilities	2010	18	17	94%
				2011	15		
				2012	15		
				2013	15		
				2014	15		
MULTI-YEAR GOAL				78	17	19%	

Geographic Distribution/Allocation Priorities

The geographic distribution for each block grant program will be different due to differences in each program and the federal regulations that govern them. Within each program's distribution plan is a specific description of how funds will be distributed throughout the state. The following is a summary of each block grant's geographic distribution system:

- **CDBG:** All cities and counties in Kentucky are eligible for participation in the CDBG Program with the exception of the cities of Ashland, Bowling Green, Covington, Elizabethtown, Henderson, Hopkinsville, Owensboro, the City of Lexington/Fayette County and City of Louisville/Jefferson County Metro Government which receive a direct allocation of CDBG funds from the federal government.
- **HOME:** Based upon demand for available funds, KHC will make every effort to ensure that the HOME funds are disbursed geographically. Reservations of HOME funds will be monitored throughout the year. If deemed appropriate, KHC may discontinue allowing applications from certain areas of the state if the area has already received greater funding as compared to other areas of the state. Such a hold on applications would only continue until KHC could ascertain the demand for funds in all areas of the state.
- **ESG:** All of Kentucky's allocation must be made available to Continuum of Care Balance of State cities and counties or private nonprofit organizations where the unit of local government certifies that it approves each project on a statewide competitive basis.
- **HOPWA:** Eligible applicants are nonprofit agencies and local governments. Funding will be made available as renewal of last fiscal year's funding distributed to five areas of the Commonwealth established for funding distribution by the Cabinet for Health and Family Services. The formula is based on the number of reported persons living with AIDS in each of the regions according to the Kentucky Department for Public Health, Division of Epidemiology and Health Planning.

Eligible applicants for HOPWA funding will submit plans for the use of HOPWA funding to KHC. The plans outline the activities to be undertaken and the process for the use of funding.

With the exception of HOPWA funding, which is allocated based upon reported HIV/AIDS cases, block grant funds are allocated through competitive funding applications submitted for eligible activities.

The distribution of how CDBG funds will be used throughout the state is revised annually. These benchmarks are an estimated percentage of CDBG funds that will be committed to the corresponding activity based on the priority needs table in the Consolidated Plan.

Program Area	FY 2011
Economic Development*	25-35%
Public Facilities	25-35%
Housing	10-20%
Community Projects**	10-20%
Community Emergency Relief Fund	1-10%
Public Services	5-15%

*Includes Microenterprise Development

**Includes Renaissance on Main

HUD Section 108 Loan Guarantee Program

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

Annual Affordable Housing Goals

Because the state does not identify specific projects prior to the adoption of the Annual Action Plan, the goals set forth in the following chart are a best estimate of projects that will be completed during the ensuing program year.

Grantee Name: Commonwealth of Kentucky Program Year: 2010	Expected Annual Number of Units To Be Completed	Actual Annual Number of Units Completed	Resources used during the period			
			CDBG	HOME	ESG	HOPWA
ANNUAL AFFORDABLE RENTAL HOUSING GOALS (SEC. 215)						
Acquisition of existing units	5		<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>		<input type="checkbox"/>
Production of new units	20		<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>		<input type="checkbox"/>
Rehabilitation of existing	5		<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Grantee Name: Commonwealth of Kentucky Program Year: 2010	Expected Annual Number of Units To Be Completed	Actual Annual Number of Units Completed	Resources used during the period			
			CDBG	HOME	ESG	HOPWA
units						
Rental Assistance	875		<input type="checkbox"/>	<input checked="" type="checkbox"/>		<input checked="" type="checkbox"/>
Total Sec. 215 Affordable Rental	905		<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
ANNUAL AFFORDABLE OWNER HOUSING GOALS (SEC. 215)						
Acquisition of existing units			<input type="checkbox"/>	<input type="checkbox"/>		
Production of new units	40		<input type="checkbox"/>	<input checked="" type="checkbox"/>		
Rehabilitation of existing units	35		<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>		
Homebuyer Assistance	300		<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>		<input type="checkbox"/>
Total Sec. 215 Affordable Owner			<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
ANNUAL AFFORDABLE HOUSING GOALS (SEC. 215)						
Acquisition of existing units			<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>		<input type="checkbox"/>
Production of new units	40		<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>		<input type="checkbox"/>
Rehabilitation of existing units	60		<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Homebuyer Assistance	450		<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>		<input type="checkbox"/>
Total Sec. 215 Affordable Housing	550		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
ANNUAL AFFORDABLE HOUSING GOALS (SEC.215)						
Homeless households	10,576		<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
...Non-homeless households			<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
...Special needs households			<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
ANNUAL HOUSING GOALS						
Annual Rental Housing Goal	905		<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Annual Owner Housing Goal	550		<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Total Annual Housing Goal	1,455		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Public Housing

Although public housing is primarily administered at the local and not the state level, there have been many efforts undertaken to encourage and assist the population served through public housing to obtain economic self-sufficiency.

- The Family Self-Sufficiency (FSS) Program, administered by KHC, provides supportive services to participants who possess a housing choice voucher when they sign a five-year contract of participation. The ultimate goal of this program is to help participants become self-sufficient by obtaining employment and becoming free of government assistance, including public housing. FSS participants receive employment skills training, budget and credit counseling, money management tips and homeownership education. KHC also establishes a savings account with monthly deposits based on the participant's increased earnings. FSS graduates are encouraged to use the escrow funds as a down payment on a home, but this is not mandatory. Currently, 186 families are participating in FSS and 99 of these participants have funds in escrow.
- The *Yes You Can...Own A Home* Program, sponsored by KHC and local lenders, also targets people currently living in rental or public housing who would like to own their own home. Classes are offered to participants to teach the basics of becoming a homeowner. Classes discuss the mortgage loan process, finding the right house, budget and credit, loan closing, foreclosure prevention, basic home maintenance and more. This program will continue into the next fiscal year and will attempt to further reduce the number of Kentuckians dependent upon public housing assistance to survive.

The KHC Rental Assistance Department administers the Housing Choice Voucher Program in areas of the state that are not served by a local public housing authority (PHA). As of early 2011, KHC was again at maximum capacity under its voucher program the waiting list remains closed. KHC aggressively pursues any new voucher funding opportunities.

There are approximately 106 public housing agencies in Kentucky that manage conventional public housing units. PHAs play an important role in filling the gap between the need and supply of affordable rental housing. These agencies provide housing for over 23,000 families statewide.

KHC has established a partnership with local housing authorities that administer Housing Choice Voucher Programs to allow families housed by local housing authorities the knowledge and qualifications to access KHC's single-family loan programs. In addition, KHC has established a homeownership voucher program that allows qualifying families to use their Housing Choice Voucher for homeownership.

There are troubled PHAs in non-entitlement areas of the Commonwealth. Since the exact details and reasons why a PHA is determined to be troubled are varied, the Commonwealth cannot commit specific funds at this point. The troubled PHAs may be able to obtain assistance from HUD Community Planning and Development-assisted programs and should contact KHC and DLG for additional information including application requirements and eligibility information.

In the event KHC and DLG are notified by HUD that a public housing agency in Kentucky is designated by HUD as “troubled,” KHC and DLG will determine if KHC and DLG can provide financial and/or technical assistance to the public housing agency.

Homeless and Special Needs

Eliminating Homelessness and Chronic Homelessness, assisting non-homeless special needs populations and preventing homelessness is the focus of KHC’s Specialized Housing Resources Department and its numerous programs and activities. Funds available to assist persons who are homeless or in danger of becoming homeless are described in the Sources of Funds section of this plan.

The state has undertaken a multi-pronged approach to eliminating homelessness. Central to this approach is the creation of a state policy-advisory entity, the Kentucky Interagency Council on Homelessness (KICH).

KICH is composed of representation from state government, nonprofit and advocacy agencies to collaborate and perform the following functions and duties:

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

KHC participates in and offers to other agencies that serve the homeless across the state the opportunity to participate in the HUD’s Continuum of Care (CoC) Program. Kentucky’s CoC is a regional system for helping people who are homeless, or at risk of homelessness, by providing housing and services appropriate to the whole range of homeless needs in the community. This includes a set of three supportive housing programs based on the law of the

McKinney - Vento Homeless Assistance. These three programs include the Supportive Housing Program (SHP), Shelter Plus Care Program (S + C) and Single Room Occupancy Program (SRO).

KHC's supportive housing programs are for families and individuals who, in addition to safe, decent and affordable housing, need access to supportive services in order to stay housed permanently. Supportive housing combines permanent, affordable housing with flexible support services to help the tenants stay housed and build the skills to live as independently as possible.

The six regions have each developed a plan that identifies dozens of specific strategic recommendations to address local priorities. The following key themes and objectives are apparent across regional boundaries:

- Increase access to safe and affordable housing units for homeless families, individuals and youth.
- Increase funding for and access to comprehensive supportive services that help assure housing stability and encourage self-sufficiency.
- Increase funding for prevention services to reduce the numbers of persons falling into homelessness.
- Increase scope and quality of data collection through the statewide Homeless Management Information System to document both evolving progress and continuing need.
- Develop and carry out a coordinated statewide public education and outreach campaign that establishes the foundation for building public support.

KHC will continue to work closely with KICH, Continuum of Care agencies and other state agencies to increase coordination of efforts to maximize limited resources focused on homeless and special needs populations in the following areas:

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

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

KHC has identified a need for more accessible units to accommodate both people with existing disabling conditions and those who may experience

disabilities in the future brought about by disease, accident, or the natural processes of aging. To this end, KHC stresses the need for adherence to fair housing construction requirements in new construction projects and has implemented an expanded requirement for universal design in new construction projects. KHC further recognizes the need for resources for modifications to existing housing units. The Kentucky Transitions program will also remain in effect to address this underserved need.

Persons with severe mental illness (SMI) suffer from one or more of a group of disorders that cause mental disorganization and disturbances in thought processes, resulting in difficulties in relating to others. Their disability is often invisible, which can cause misconceptions and misunderstandings about persons with SMI. Typical types of severe mental illness are schizophrenia, major depression and bi-polar (manic/depressive) disorder. All types of mental illness can be effectively treated with psychotropic drugs, although the effectiveness of drug treatment varies among individuals and types of illness. The extent to which an individual with SMI can function in society depends on his or her specific illness, the effectiveness of the medications for its treatment and the motivation of the individual in adhering to a treatment regimen. Safe Havens and Samaritan Housing programs will continue to address this underserved need.

Persons who continue to relapse from the disease of alcohol and drug dependency or who have a dual diagnosis of substance dependency and mental illness are often involved with the judicial/correctional system as a result of their unacceptable behavior or their criminal activity related to seeking drugs. Recovery Kentucky will continue as a program serving this underserved need.

Specific programs undertaken to serve homeless, chronically homeless and non-homeless special needs populations are outlined below:

- The Safe Havens program partners with service providers, nonprofit advocacy organizations and state agencies to remove barriers and move more homeless individuals into permanent housing on the path to self-sufficiency.

KHC began the Safe Havens program, which works homeless families and individuals toward self-sufficiency through case management services. KHC provides permanent housing vouchers throughout its 87-county housing choice voucher jurisdiction to domestic violence victims and homeless families with the Safe Start Program and homeless individuals with severe and persistent mental illness through Safe Place, which fulfills one area of self-sufficiency. Case management partners provide the other aspects of economic self-sufficiency.

- Recovery Kentucky, an initiative to help Kentuckians recover from drug and alcohol dependency, has ten existing centers throughout the state.

The program accomplishes two goals: it reduces the state's drug problem and resolves some of the state's homeless issues.

- The Kentucky Transitions program (Money Follows the Person) provides housing and support for special accommodations for persons living in nursing homes or institutional care settings (for six months or longer) and who want to return to independent living in their home community. This partnership between the Kentucky Department of Medicaid Services and KHC, through a contractual relationship, allows persons living in institutional settings to live in publically assisted or private housing with medical and social supports provided through the Kentucky Department of Medicaid Services. KHC staff members assist referred MFP individuals to navigate the housing process through their contacts in the community in order to support these individuals to return to his or her home community.
- KHC partners with the state Division of Behavioral Services to host SOAR (SSI/SSDI, Outreach, Access, and Recovery) trainings throughout the state. SOAR teaches case managers how to complete disability applications more thoroughly. With techniques from these trainings, more disability applications will be approved upon the first submission. Although SSI/SSDI will not lift households above the poverty line, it certainly can help households sustain an income, and with housing assistance, can be as sufficient as the individual has capacity to be.
- The Samaritan Project and other permanent supportive housing projects funded through the Continuum of Care (COC), serves unaccompanied adults with documented disabilities. These projects are designed as part of the CoC strategy to promote the development of housing and supportive services to assist homeless persons in the transition from streets and shelters to permanent housing and maximum self-sufficiency. It is renewable annually through the CoC application.
- The Chafee Room and Board Program serves the young adult population aged 18-21 who age out of the foster care system. The program provides rent and utility assistance for up to six months. Additional services may include security/utility deposits and assistance with household set-up expenses.

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

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

- Provision of essential services to people without homes. This includes services concerned with employment, health, drug abuse, education, transportation and staff salaries necessary to provide these services.
- Payment of maintenance, operation, rent, repair, security, fuels and equipment, insurance, utilities and furnishings of transitional and permanent housing.
- Development and implementation of homeless prevention activities including short-term subsidies for utility costs, rent or mortgage payments, security deposits, mediation programs and legal services.
- Provision of rental assistance for homeless individuals and families.
- The Kentucky Homeownership Protection Center, established by the state legislature in 2008 to address the foreclosure crisis in Kentucky, provides counseling at no cost to a homeowner and is a centralized location for information on public services to assist Kentuckians in keeping their homes. Homeowners can find information on the foreclosure process, utility assistance, and home repair assistance. The Protection Center has also formed a partnership with Legal Aid to help those who qualify and cannot recover from their circumstances through counseling. The Protection Center is a resource for homeowners who may become homeless or precariously housed if they lose their home.
- The Kentucky Unemployment Bridge Program is also instrumental in assisting homeowners in danger of foreclosure due to the loss of a job or reduction in employment income due to economic conditions. Hardest Hit Funds from the U.S. Treasury are utilized to fund mortgage payments for eligible households for up to 12 months while the homeowner seeks employment.

Barriers to Affordable Housing

Many of the barriers to affordable housing in Kentucky are concentrated at the local level rather than at the state level, as cities and counties establish regulations, plans and policies that affect their jurisdiction. The overall demand for affordable housing and the lack of funding to fulfill the demand continues to be the biggest barrier statewide.

On the state level, there are numerous examples of state agencies working in cooperation to reduce barriers to affordable housing:

- The Kentucky Infrastructure Authority has also enacted a Water and Waste-Water Plan.

- The Recovery Kentucky program is an example of state agencies working together to remove barriers that unintentionally arise because of compartmentalization.
- Safe Havens partners with service providers, nonprofit advocacy organizations and state agencies to remove barriers and move more homeless individuals into permanent housing on the path to self-sufficiency.
- The Kentucky Interagency Council on Homelessness (KICH) has established five subcommittees that are also exploring regulatory barriers specifically affecting the homeless population. KICH identified lack of fair housing policies and limited or lack of affordable housing policies at the local government level as barriers. And specifically, the need for additional access to transitional housing type options is a pressing need.

Other Actions

Addressing Obstacles and Fostering and Maintaining Affordable Housing

Both KHC and the DLG have been active in the pursuit of affordable housing for all Kentuckians and will continue to work towards overcoming all obstacles to meeting underserved needs. Some of the obstacles to meeting underserved housing needs in Kentucky generally affect all low-income populations in Kentucky while special needs populations must overcome additional obstacles to obtain and maintain affordable housing.

It is clear that there continues to be an insufficient supply of all types of affordable housing – from that targeted to working families to service-enriched housing for special needs populations likely to experience chronic homelessness. In most of the state, there exists a shortage of all housing stock, but in the larger metropolitan areas, the shortage is very specific to affordable housing. The demand for subsidized housing far outweighs the funds available. As a result, some Section 8 waiting lists closed because of the length of time before assistance could be offered. In general, public housing agencies (both those that administer public housing units and housing vouchers) experience long waiting lists for assistance. The average waiting list time for public housing in Kentucky is nearly six months.

In some rural parts of Kentucky, affordable housing assistance providers report a severe lack of affordable housing stock. In some instances, agencies have had to return rental assistance vouchers because families could not locate affordable housing that met housing quality standards. KHC is partnering with the Kentucky Interagency Council on Homelessness (KICH) to explore options to fund a pilot project that would increase the housing stock in rural areas as well as incorporate a “housing first” model for serving homeless persons.

KHC will continue to pursue all available sources of funding for affordable housing activities, including the pursuit of additional housing choice vouchers as they become available, moving persons toward self-sufficiency to allow existing vouchers to be used for another needy family and additional funds for the construction and rehabilitation of single family and multifamily housing.

KHC's and DLG's Fair Housing coordinators will also continue to educate landlords, property owners, housing agencies and citizens about Fair Housing laws.

Rent restrictions are an obstacle that has resulted due to requirements under the HOME Program. HOME funds are used extensively to assist with the development of affordable rental housing, often in combination with other sources of funds and housing tax credits. As required by the HOME Program, the rent limitation is often the fair market rent (FMR) for the county in which the project is located. In fact, in most counties in Kentucky, the FMR is the most restrictive rent limitation and must be the imposed rent cap on each of the HOME units in a project. As a result, these low rents often make the project financially infeasible. Relief is needed in the form of higher rent limits for the HOME Program so that financially feasible, safe, decent and affordable housing may be produced throughout the state.

The manner in which income is derived creates an additional obstacle. With the increase in the minimum wage passed a few years ago, a two person household in Kentucky earning minimum wage working full time earns too much money to qualify to live in a HOME-assisted unit in most counties.

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

Eligible activities and recipient types for each block grant program are specifically addressed in their distribution plan, which is contained in this Action Plan. In addition, a summary of eligible activities for each block grant program is listed in the Sources of Funding section of this Action Plan.

The needs outlined in the Consolidated Plan address a variety of needs for affordable housing and community development that were derived from input at local levels across the state and utilizing housing data. The plan represents a

wide array of needs. While one particular community may need rental housing production at a specific site, another community may need homeowner rehabilitation over a scattered site. For the state to address its community needs, the block grant programs need a level of flexibility for eligible activities to be undertaken. The state will support any application for funding under both federal and private sources that will assist the state in meeting any category of need for affordable housing and community development.

Lead-Based Paint Hazards

Both KHC and DLG have a commitment to ensure that recipients of HOME, CDBG, NSP, ESG and HOPWA funds administer programs that adequately limit the risks associated with lead-based paint. Program administrators assist in statewide and local efforts to detect and abate lead-based paint as appropriate. Recipients of funding through these block grant programs are required to comply with all federal, state and local lead-based paint regulations. KHC and DLG staff members take several steps to fulfill their responsibility regarding lead-based paint hazards.

Applicants for HOME, ESG and HOPWA funds are made aware of the requirements of the lead-based paint regulations as they apply for funds. If funded, applicants receive additional formal training and individual technical assistance provided by staff. This technical assistance is available through the life of the project. Inquiries regarding lead-based paint hazards, evaluation and screening are often referred to the Environmental Lead Program administrator at the Kentucky Department of Public Health. To assist with the cost of lead-based paint removal activities, KHC allows HOME funds to be used in the form of a grant for homeowners receiving assistance for homeowner rehabilitation activities.

KHC adopted an environmental assessment policy several years ago. During the next fiscal year, KHC anticipates a review of the current policy to determine whether it requires revision. The current policy requires a Phase I environmental assessment for many projects. Dependent upon the findings of a Phase I review, a Phase II review may be required.

KHC staff members perform visual inspections to identify possible lead-based paint hazards for projects wishing to use block grant funds. Several inspections of projects involving rehabilitation are performed during the construction process. In addition, Housing Quality Standards (HQS) inspections are performed at rental properties throughout the state.

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

If surfaces are found to be defective, they must be treated in the course of rehabilitation.

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

Anti-Poverty Strategy

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

Long-term anti-poverty CDBG objectives include:

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

Housing – whether rental or ownership – is viewed as one of the major components in assisting individuals and families in overcoming the struggles of poverty. When a family has a decent, safe place to live, they also obtain the stability needed to work toward self-sufficiency. It takes a combination of many activities, such as job training and education, health and child care assistance as well as a place to call home to effectively assist families on the continuum towards self-sufficiency. A variety of affordable housing programs across the state not only provide direct financial assistance with housing costs, but combine housing assistance with social programs, such as life skills training, job training and homeownership counseling.

Kentucky's strategy for reducing poverty across the state focuses on coordinating the major components of economic development, education, housing, childcare, health care and transportation. In order to accomplish this task, coordination among all levels, such as public agencies, private businesses and local and state

government agencies is crucial. Since the overall purpose is to assist families in becoming self-sufficient, the strategy must ensure that these families are equipped with all of the necessary tools to accomplish this task.

In many cases, families need assistance in many different areas, such as job development and training, childcare and affordable housing. Providing assistance with one of these components alone will not accomplish the task of helping a family become self-sufficient. To meet the goal of raising the standard of living for all low-income individuals and families, the state is committed to assisting individuals in achieving employment; continuing adult education and post-secondary education; childhood development intervention; adequate and affordable child care for working families; increased access to health insurance coverage and the provision of affordable housing opportunities.

DLG will continue to fund through the CDBG Program traditional economic development activities that create or retain jobs principally benefiting low- and moderate-income persons.

Nontraditional economic development projects are those which provide funding of activities including, but not limited to, job training and placement of other support services including peer support counseling, child care and transportation. Microenterprise development is designated to provide funds to local communities and community-based organizations for the purpose of providing assistance and technical services to low- to moderate-income persons who either currently own a small business or are interested in starting one.

DLG will exercise the authority provided in 24 CFR § 570.702 to apply to HUD for Section 108 loan guarantee funds on behalf of non-entitlement jurisdictions. The State may leverage up to five times its annual CDBG allocation to finance large-scale development projects. The Section 108 Loan Program provides an additional source of funds to address significant economic development and community projects which have a regional or statewide impact.

DLG will continue to administer funds received from HUD under the American Recovery and Reinvestment Act (ARRA). Thirteen projects were funded including four wastewater treatment and collection projects, one water distribution project, three housing projects, two community projects, two addiction recovery centers and one job training project. Ten of the funded projects have been completed and the remaining three are expected to close by September 30, 2012.

DLG administers Neighborhood Stabilization Program (NSP) funds as required by HUD regulations. At least 25 percent of the funds will be used to purchase or redevelop abandoned, vacant or foreclosed residential properties that will be used to house individuals or families at or below 50 percent of the area median income.

The programs described previously, as well as other housing programs across the state, focus primarily on helping lower income families obtain homeownership. Besides financial assistance for housing, many programs include a wide range of social components that aim to build these families' knowledge and skills for achieving and maintaining financial independence. Along with the benefits of homeownership come pride, stability and the ability to build wealth. Homeownership is an investment, which allows families to acquire wealth through building equity in their homes. This equity in turn can be used to purchase future housing, education or serve as a retirement security. Providing families with the tools needed to build wealth and over-come poverty is the main strategy for the state in reducing the number of persons in poverty.

Institutional Structure

KHC and DLG will continue to partner with a diverse number of entities from private industry, non-profit organizations and public institutions in carrying out activities under the Consolidated Plan.

DLG works directly with eligible units of local government in distributing CDBG funds, which are awarded on a competitive basis through an open application process. Local governments are best equipped to understand the needs of their individual communities and, through an open application process, present projects for funding that are ready to proceed. To strengthen gaps in this process, DLG conducts training for local officials and grant administrators. Training acquaints the officials with the regulatory requirements of the program. Information included that assists in ensuring strong applications and successful projects includes environmental requirements, labor standards, procurement standards, fair housing and equal opportunity and concerns related to construction and housing.

KHC is responsible for the administration of the HOME, ESG and HOPWA Programs. HOME funds are made available through an application process detailed in the program guidelines. An applicant will work with a KHC staff member, as needed, to receive technical assistance in completing the application. If the proposed project is deemed viable, funds will be allocated, if available. Eligible applicants include, but are not limited to, units of local government, Community Housing Development Organizations (CHDOs), nonprofit housing organizations and for-profit developers. Direct technical assistance from program staff for the HOME, ESG and HOPWA Programs is provided on a statewide basis to all eligible applicants. After funding is awarded, implementation and administration training is available to all recipients. In addition to administering the federal block grant programs, KHC and DLG administer other programs that partner with units of local government, CHDOs, nonprofit housing organizations and for-profit developers.

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

KHC is the state public housing agency and administers Housing Choice Voucher Program funds in counties where there is no housing authority to administer this program.

KHC also works directly with HUD in the administration of the Risk-Sharing Program in order to increase the number of safe, decent and affordable rental units throughout the state. When funding is available, KHC processes and underwrites the loan applications and, in the event of default, the mortgage insurance risk is shared between KHC and HUD.

The Governor's Local Issues Conference is held annually and is attended by local officials from cities and counties throughout the Commonwealth.

An annual Kentucky Affordable Housing Conference will be held in the fall of 2012 and will be attended by representatives of various organizations that deal with housing throughout the state. Conferences such as these often generate new and innovative ideas on the best processes to better serve the housing needs of the people of Kentucky.

KHC and DLG work with the Recovery Kentucky Task Force that advocates for substance abuse recovery services through long-term supportive housing, recovery programs aimed at addressing homelessness and recovery from addiction within the commonwealth.

KHC coordinates the state's Housing Policy Advisory Committee and Kentucky Interagency Council on Homelessness which are discussed below.

The role of the nonprofit organizations has proven to be an essential component of the overall delivery system of funding for affordable housing programs. KHC began working with nonprofit organizations that provided affordable housing opportunities in the early 1970s by providing technical assistance and administrative dollars. These funds were also used to aid in the creation of new nonprofit agencies. Currently, KHC is working with nonprofit organizations across the state through the various programs offered at KHC.

Over the past several years, the number of private housing developers that have participated with KHC programs has increased. Many of these private housing developers utilize the Housing Credit Program as well as other federal and state housing programs for the development of affordable rental housing across the state. This has helped increase the number of safe, decent and affordable housing units for lower income renters. Likewise, KHC continues to maintain

relationships with several private developers who utilize HOME funds to provide homeownership opportunities for low-income Kentuckians.

In addition to private housing developers, KHC, through its single-family loan program, works with over 250 private lending institutions in the origination and processing of KHC mortgages. The lender network expands across the state and enables lower income families the opportunities to access KHC's loan products.

Governmental agencies that KHC works with in providing affordable housing programs include the Federal Housing Administration (FHA) and the U.S. Department of Agriculture Rural Development Office. Both of these agencies provide mortgage insurance for KHC's single-family loan programs. Other federal affordable housing programs that are available throughout the commonwealth are listed under "Sources of Funds" in this plan.

Coordination

Housing Policy Advisory Committee

In 1996, with the successful passage of House Bill 73, the State Housing Policy Advisory Committee was created. The advisory committee consists of ten ex officio state government members, seventeen at-large members appointed by the chairman of the Board of Directors of KHC, one member of the Senate and one member of the House of Representatives. The advisory committee submits an annual report of activities and recommendations to the governor.

Kentucky Interagency Council on Homelessness

By Executive Order 2007-751 of the Commonwealth of Kentucky, the Kentucky Interagency Council on Homelessness (KICH) is composed of representation from state government, nonprofit and advocacy agencies to collaborate and perform the following functions and duties: KICH Executive Committee consists of the CEO of Kentucky Housing Corporation, Secretary of Health and Family Services Cabinet, Secretary of Justice and Public Safety Cabinet, Secretary of Education Cabinet, Secretary of Transportation Cabinet, Executive Director of Administrative Office of the Courts, State Budget Director, Commissioner of Veterans Affairs, Executive Director of the Homeless and Housing Coalition of Kentucky and one member from each house of the Kentucky General Assembly appointed by the Governor.

The KICH Steering Committee consists of representatives of the Executive Committee, state government agencies, homeless advocates and service providers. The KICH Steering Committee has five policy subcommittees that mirror the "core concerns" identified in the Ten-Year Plan to End Homeless. The policy subcommittees are: housing, services, prevention, public will and data.

Kentucky Commission on Community Volunteerism and Service

The Commission is a statewide, bi-partisan group comprised of at least 15 members, appointed by the governor, with diverse service and volunteerism backgrounds. The KCCVS actively engages citizens in community service opportunities that enable volunteers, organizations and businesses to share ideas and effectively collaborate to address Kentucky's needs. The KCCVS funding is provided by the Corporation for National and Community Service and the Kentucky General Assembly. KCCVS has oversight for 13 AmeriCorps State programs including the Build Corps sponsored by the Homeless and Housing Coalition of Kentucky. The Build Corps program assists low-income families/individuals access permanent and/or transitional housing and serve as construction assistants with nonprofit agencies, rehabilitating and building housing in low-income communities.

Governor's Reentry Task Force – Statewide Reentry Steering Team

By Executive Order 2009-36 of the Commonwealth of Kentucky, the Governor's Reentry Task Force was established to develop policy recommendations regarding the reduction of recidivism, enhancement of public safety and the furtherance of reentry efforts in the Commonwealth. The mission of Kentucky's Reentry initiative is to integrate successful offender reentry principles and practices in the Commonwealth of Kentucky state agencies and communities resulting in partnerships that improve public safety, enhance offender self-sufficiency, and reduce recidivism. The Kentucky Statewide Reentry Steering Team is developed to create a multidisciplinary work team to develop recommendations and provide information to the Governor's Reentry Task Force.

Affordable Housing Trust Fund/Department of Mental Health/Mental Retardation

A collaboration of the Kentucky Affordable Housing Trust Fund and Department of Mental Health/Mental Retardation is another example of agencies coordinating to better the housing situation of citizens of the Commonwealth. The 1996 Kentucky General Assembly appropriated state general fund dollars to the Department for Mental Health and Mental Retardation Services (DMH/MRS) to support the housing needs of their priority populations. Recognizing that KHC was the state housing finance agency for Kentucky, DMH/MRS proposed a partnership between the two agencies. KHC would be responsible for administering DMH/MRS's funds through its Affordable Housing Trust Fund. The coordination between these two agencies ensures that these funds are distributed in the most efficient and effective way possible, assisting the maximum number of Kentuckians in need.

In 2009, the annual allocation of \$386,000 from the Cabinet for Health and Family Services, Department of Behavioral Health, Developmental and Intellectual Disabilities, given to KHC was reprogrammed to better address the needs of the state of Kentucky. This annual amount is now focused on the needs of that portion of the Olmstead population with severe and persistent mental illness. These funds are used to move individuals from psychiatric hospitals and nursing facilities to apartments in the communities of their choice.

Eligible and appropriate individuals are identified by staff of the Department of Behavioral Health, Developmental and Intellectual Disabilities, and the program, called the Olmstead Housing Initiative is administered by staff of KHC Department of Specialized Housing Resources

Another partnership between KHC and the DMH/MRS (renamed Department of Behavioral Health, Developmental and Intellectual Disabilities) is the hiring of a Supportive Housing Specialist. This KHC employee's salary and expenses are paid equally by KHC and the DBH/DID. The Specialist has worked with both agencies to sponsor statewide conferences for nonprofit providers on how to combine housing and services. He also provides one-on-one technical assistance to these agencies and holds monthly meetings with them to improve their knowledge of resources and coordination of services by distributing outreach materials and information for their clients about the Kentucky Continuum of Care. The Commonwealth of Kentucky has formed an Olmstead working group to develop responses and resources that insure that persons with disabilities have appropriate housing access and are not required to remain institutionalized due to a lack of housing resources. A representative of the DBH/DID also serves on the Kentucky Council on Homeless Policy that establishes the goals and strategies of the Kentucky COC.

Staff of KHC's SHR Department also serve on other statewide planning and coordinating agency committees. These include the Hart-Supported Living Council which creates policy for the Hart-Supported Living Program, a program that provides a flexible source of funding that goes directly to individuals with a variety of physical and mental disabilities. Staff also serve on the Kentucky Mental Health Planning and Advisory Council with sets policy and coordinates the programs created by the Mental Health Block grant received by the state, and the Kentucky Partners for Youth Transition which is charged with easing the transition to adulthood of youth receiving services from the state's mental health service delivery system.

Recovery Kentucky Task Force

The Recovery Kentucky Task Force provides oversight and direction for a network of ten newly established 100-bed Recovery Kentucky Centers - drug and alcohol free housing for persons who are homeless or at risk for homelessness due to their continued dependence on alcohol and drugs. These drug-free, Project-Based assisted housing centers provide a safe and secure environment for men and women to begin a process of "self-help" and "peer-led" education that leads to long term sobriety. The Recovery Kentucky program model is designed to help the recovering alcoholic/addict regain a life of sobriety and to begin a journey toward permanent housing and self-sufficiency.

The Recovery Kentucky Task Force is made up of Kentucky Cabinet Secretaries, Commissioners, the Governor's Office and Recovery Kentucky leaders throughout the state who are interested in providing housing for potentially

homeless and chemically dependent individuals in need of non-medical recovery services. In addition, the Task Force is interested in providing housing and supportive addiction recovery services for non-violent, persons facing jail or prison time related to their drug dependency and related criminal activity. As a result of the success of these substance abuse recovery housing centers, the Recovery Kentucky Task Force has recommended that KHC initiate plans to expand the Recovery Kentucky Centers from ten facilities to fourteen facilities over the next five years.

Continuum of Care

KHC participates in and offers to other agencies that serve the homeless across the state the opportunity to participate in the U.S. Department of Housing and Urban Development's Continuum of Care (CoC) Program. The CoC is a local or regional system for helping people who are homeless, or at risk of homelessness, by providing housing and services appropriate to the whole range of homeless needs in the community. This includes a set of three competitive programs based on the law of the McKinney - Vento Homeless Assistance. These three programs include the Supportive Housing Program (SHP), Shelter Plus Care Program (S + C) and Single Room Occupancy Program (SRO).

The Kentucky Balance of State CoC process begins at the local level with a combination of the 15 ADD districts serving as six regional planning entities for 118 counties across the state. The City of Lexington as well as the City of Louisville have their own CoC application and are funded separately from the Balance of State CoC.

Eligible applicants include state, local governments, other government agencies (such as public housing agencies), private nonprofit organizations, and community mental health associations that are public nonprofit organizations.

Those applying for one of the three CoC programs do so annually. Once a program is funded, that program is then eligible for renewal funding on an annual basis as well. The application process begins after HUD publishes a Notice of Funding Availability (NOFA) for the CoC Program in the Federal Register. All renewal applications are ranked based on most recently completed program year performance, HUD guidelines and participation in the overall CoC process.

Kentucky Balance of State Continuum of Care is at Hold Harmless which means that current funding exceeds the pro-rata funding need determined by HUD thus no additional funds are available at this time for new projects.

In the Kentucky Balance of State CoC, service providers, developers, community leaders, advocates, financial institutions and homeless service clients meet as local CoC Planning Boards in each of the six regions. At numerous local planning meetings held throughout the year, participants evaluate their service delivery system, coordinate plans in order to avoid duplication, share resources

and establish goals for eliminating gaps in the local delivery system. This community-based process assesses services from prevention to self-sufficiency in permanent housing.

Each local planning board also assesses barriers to service delivery and special populations that may find it more or less difficult to access available services. COC planning helps communities develop a common vision and a set of common goals.

Each local COC planning board works with Kentucky Housing Corporation's (KHC) Specialized Housing Resources Department staff members in the planning and implementation of the CoC process. KHC also serves as the applicant and grantee for the majority of Kentucky's COC projects to ensure administrative capacity and uniformity in program review. KHC does not determine who is funded through the CoC process.

UK Cooperative Extension

The KHC Self-Sufficiency manager serves on a statewide University of Kentucky Family and Consumer Sciences Extension Advisory Council to give input and guidance for our program efforts within Kentucky. With the partnership with UK Cooperative Extension for newsletters for self-sufficiency participants, UK recruited KHC for this advisory council in order to keep goals and needs of participants in their consideration when developing initiatives. The term ends April 2012.

FSS Provider Coordinating Committee

The FSS Provider Coordinating Committee (PCC) is established to assist KHC with planning and implementing the FSS Program. Members are representatives from state, local and private groups who have resources to assist low-income families and have a commitment to family self-sufficiency. The PCC serves as an advisor in the administration of the FSS Program. KHC staff consults with PCC members and case managers; however, final decisions remain the responsibility of KHC.

The KHC administrator for the FSS Program will be an ex-officio member of the committees. KHC will also recruit one participating FSS head of household to participate on each PCC.

In recent years, KHC explored the needs of self-sufficiency and its impact on those in housing assistance programs. Establishing a small self-sufficiency component in a select number of programs enabled KHC to develop partnerships within agencies that would not ordinarily seem to fit into a housing mission. The creation of Safe Havens enhanced already existing partnerships and created new partnerships with agencies. Due to the vast array of services needed to help participants reach economic self-sufficiency, a rather new area for KHC to do work at a larger scale, the following statewide partnerships were established.

- Kentucky Domestic Violence Association receives grants from KHC to administer statewide Individual Development Accounts (IDA) programs;
- Cabinet for Health & Family Services (CHFS) allows KHC to send Safe Havens participants to their job readiness classes, easy access to Ready-to-Work programs throughout the state, and access to their statewide computer system which contains benefits information.
- Office for Vocational Rehabilitation serves on the statewide Provider Coordination Committee (PCC) required through the FSS grant from HUD.
- UK Cooperative Extension office writes newsletters for KHC to send to self-sufficiency participants. Newsletter topics include financial literacy, inexpensive recipes, parenting tips, clothing tips, etc.

As KHC develops self-sufficiency further, local partnerships must be established to assist participants. The CHFS open child protection cases with participants from time-to-time. In these cases, KHC must develop relationships with local office to provide support to families as well as to CHFS. With mental illness, local partnerships with the community mental health agencies have been established so referrals are easily made. In addition, the community mental health agencies may refer to Safe Havens and the Samaritan Project, which assists chronically homeless.

In future years, KHC will continue to enhance these partnerships and develop new partnerships as needs arise with participants. The PCC is open to new members, and KHC constantly recruits needed partnerships for this committee.

Fair Housing

KHC and DLG have fair housing specialists on staff. Their primary purpose is to coordinate with recipients of funds, especially those receiving federal dollars, to promote awareness and provide education in the area of fair housing. This position is also actively involved in the development of the Consolidated Plan and has worked directly on developing the Analysis of Impediments to Fair Housing. The fair housing specialist works and coordinates directly with other fair housing organizations across the state in the exchange of information and organizing events and workshops.

Coordination of Housing and Transportation

Because Kentucky is a primarily rural state and metropolitan areas that do have public transportation are entitlement communities, this section does not apply in general. However, projects applying for funding under Consolidated Plan programs must take into consideration the availability of transportation for its residents during program design.

COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM (CDBG)

SECTION I KENTUCKY'S GOALS AND OBJECTIVES

The 2012 Kentucky Community Development Block Grant (CDBG) Program maximizes efficiency in program delivery and effectiveness of federal dollars. The following goals and objectives were adopted to promote community and economic development:

- Goal 1:** To improve local economies and the economic well-being of the people of Kentucky while protecting the environment.
- Objectives:**
- a. Encourage private investment that will result in the creation of new jobs, primarily for the unemployed and underemployed.
 - b. Discourage the out migration of businesses that employ and serve the local population.
- Goal 2:** To provide public facilities to eliminate conditions which are detrimental to the public health and safety and which thus detract from further community development or which are necessary to meet other essential community needs.
- Objectives:**
- a. Improve existing public facilities.
 - b. Provide new facilities when warranted by recent population growth or when essential needs exist.
- Goal 3:** To improve the condition of housing and expand fair housing opportunities especially for persons of low and moderate income (LMI).
- Objectives:**
- a. Encourage the rehabilitation of appropriate existing housing units.
 - b. Encourage the creation of new housing units including adaptive reuse of suitable structures.
 - c. Encourage the purchase and preparation of sites for construction of new housing units for persons of low and moderate income.
 - d. Eliminate blight conditions in residential areas through demolition, code enforcement and related activities.
- Goal 4:** To improve the quality of life through funding community projects requested by individual communities to enhance community pride and involvement and perpetuate local identity.
- Objectives:**
- a. Enable local communities to provide services they have determined are important but generally cannot afford.
 - b. Foster a revitalization of community structure to help communities help themselves.
 - c. Improve the condition of housing and expand fair housing

opportunities, especially for persons of low and moderate income.

Goal 5: To improve the lives of citizens by helping them overcome chemical addictions and avoid the risk of homelessness.

Objectives: a. Provide operational costs to support new and existing residential substance abuse centers.

b. Provide support to educational programs for at-risk or LMI persons with substance abuse issues.

Goal 6: To assure that not less than 70% of the total amount of CDBG funds* received for Fiscal Years 2011, 2012 and 2013 shall be used for support of activities that benefit persons of low and moderate income.

Objectives: a. Expand economic opportunities principally for persons of low and moderate income.

Provide public facilities that are necessary to the public health and safety principally for persons of low and moderate income.

b. Improve the quality of existing housing stock and the availability of housing units principally for persons of low and moderate income.

c. Improve the quality of life through funding community projects requested by individual communities to enhance community pride and involvement and perpetuate local identity.

* *Percentage is applied to the aggregate of state CDBG funds, after excluding costs for planning, management and administration for both the state and units of general local government.*

SECTION II NATIONAL OBJECTIVES

Each activity funded under the Community Development Block Grant (CDBG) Program must meet at least one of the three National Objectives identified in Title I of the Housing and Community Development Act of 1974 as amended in 1983, 1987 and 1992 (the Act), Section 104(b) (3) and regulations contained in the 24 Code of Federal Regulations (CFR) 570.483. The three objectives are:

1. Benefit to low and moderate income persons;
2. Prevention or elimination of slums or blight; and
3. Meeting community development needs having a particular urgency.

The applicant is responsible for selecting and documenting how each activity addresses a National Objective. Explanations of the objectives and required documentation are described below.

Please note: The Act identifies as a primary objective the "... development of viable urban communities by providing decent housing and suitable living environment and expanding economic opportunities, principally for persons of low and moderate income...". The state is required to assure that "...not less than 70% of the aggregate of the federal assistance provided to the State under Section 106... shall be used for the support of activities that benefit persons of low and moderate income..."

A. Activities which Benefit Low and Moderate Income Persons

An activity will meet this objective if 51% of the persons benefiting from the activity are of low and moderate income. Low and moderate income levels are defined in the Act as Housing and Urban Development (HUD) determined calculations based on median family income. Income figures for each county or area and further information on how an activity may meet this test can be obtained from the Department for Local Government (DLG). Further information on how an activity may meet this test is given in Appendix B.

Required Documentation

Applicant must maintain records that at least 51% of the persons benefiting from the activity are of low and moderate income. Low and moderate income beneficiaries must be accounted for on the Person Benefit Profile form. Documentation must be maintained verifying the low and moderate income beneficiaries. This information must be explained and the sources and the applicable regulation cited on the appropriate forms.

B. Activities which Aid in the Prevention or Elimination of Slums or Blight

An activity will meet this objective if:

1. It meets a definition of slum area, blighted area, deteriorated or deteriorating under Section 99.705 of Kentucky Revised Statutes (KRS); and
2. It contains a substantial number of deteriorating or dilapidated buildings throughout the area; and
3. The activity is designed to address one or more of the conditions that contributed to the deterioration of the area; or
4. The activity addresses an individual structure, which would otherwise meet the definition of slum or blight.

Further information on how an activity may meet this test is given in Appendix B.

Required Documentation

Applicant must maintain records that the activity meets the definition of prevention or elimination of slums or blight. Records must also be

maintained describing the boundaries of the area and the conditions of the area which qualify it under this objective. Documentation may include photographs, structural surveys or development plans. This information must be explained, the sources and the applicable regulation cited on the appropriate forms.

C. **Activities Designed to Meet Community Development Needs Having a Particular Urgency**

An activity will meet this objective if it:

1. Addresses needs having a particular urgency because existing conditions pose a serious and immediate threat to the health or welfare of the community;
2. Is of recent origin (within 18 months) or which recently became urgent; and
3. Has no other available source to complete the funding package and the community cannot finance the activity on its own.

Further information on how an activity may meet this test is given in Appendix B.

<http://www.dlg.ky.gov/NR/rdonlyres/BF0873FD-3206-43DE-9A20-9CEAF75941D1/0/AppendixBMeetingNatlObj.doc>

Required Documentation

Applicant must maintain records as to the nature and degree of seriousness of the problem, that the activity was designed to address the urgent need, that the problem is of recent origin, that other funding is not available, and the community cannot finance the activity alone. This information must be explained in detail and the applicable regulation cited in the application on the appropriate forms.

**SECTION III
GENERAL INFORMATION FOR APPLICANTS**

A. **Eligible Applicants**

All cities and counties in Kentucky are eligible for participation with the exception of the following entitlement jurisdictions:

Ashland, Bowling Green, Covington, Elizabethtown, Henderson, Hopkinsville, Owensboro, Lexington/Fayette Urban County Government and Louisville/Jefferson County Metro Government.

Only a project which can be proven to accrue direct benefit to a nonentitlement area will be eligible for funding.

B. **Program Areas**

Applications may be submitted in the following program areas:

1. Community Emergency Relief Fund (CERF) (See Section IV)

2. Community Projects/Renaissance (See Section V)
3. Economic Development (See Section VI)
4. Housing (See Section VII)
5. Microenterprise Development (See Section VIII)
6. Public Facilities (See Section IX)
7. Public Services (See Section X)

C. **Threshold Requirements**

Threshold requirements are those requirements that each community with a previous CDBG grant applying for a 2012 CDBG grant must meet prior to DLG accepting its grant application.

1. Public Facilities, Housing and Community Projects
 - a. Previous CDBG Public Facilities, Housing and Community Project grantees may apply for Public Facilities, Housing or Community Project funds if the following threshold requirements are met prior to Application Submission.

Period Funded

2010-2011 80% of the grant funds expended, program income reports approved and audit requirements met prior to Application Submission

2009 and earlier Final closeout issued or Notice of Completion issued, program income reports approved and audit requirements met to date

- b. Previous CDBG Small Cities Economic Development grantees may apply for Public Facilities, Housing or Community Project funds if the following threshold requirements are met prior to Submission.

Period Funded

2009 and earlier Final closeout issued or Notice of Completion issued, program income reports approved and audit requirements met to date

Previous CERF, Public Services, and Microenterprise Development grantees may apply for Public Facilities, Housing or Community Project funds if program income reports are approved and audit requirements are met to date.

2. **Traditional Economic Development**
Traditional Economic Development applicants must have an approved program income report if applicable and audit requirements met to date.
3. **Non-Traditional Economic Development**
Non-Traditional Economic Development applicants must have an approved program income report if applicable and audit requirements met to date.

4. **Microenterprise Development**
Microenterprise Development applicants must have an approved program income report if applicable and audit requirements met to date. In addition, existing Microenterprise Development Projects may not apply for funding in the year subsequent to the grant award.
5. **Community Emergency Relief Fund**
CERF applicants must have an approved program income report if applicable and audit requirements met to date.
6. **Public Services**
There are no threshold requirements for application.

An applicant may appeal the threshold requirement in writing to the Commissioner of DLG. Consideration will be given if it can be proven that due diligence has been pursued in the project's management and the rationale for failing to meet the threshold requirement is related to the grant's participating party, job assessment period or circumstances beyond the control of the grantee. If an appeal request is approved, a written waiver will be issued by the Commissioner of DLG.

Threshold requirements apply to all parties submitting a multi-jurisdiction application.

DLG reserves the right to refuse any application or condition any grant award based upon past performance, outstanding grant violations or continuing capacity to carry out funded activities in a timely manner.

D. **Types of Applications**

1. **Individual Applications**
A city or county submits an individual application when the proposed activity(ies) alleviate(s) (a) problem(s) either inside or outside its jurisdiction, provided the activity(ies) will meet the needs of the jurisdiction in accordance with section 106(d)(2)(D) of the Housing and Community Development Act and 24 CFR 570.486(b).
2. **Multi-Jurisdiction Applications**
Cities and/or counties applying under Public Facilities or Self-Help, which share a regional project requiring participation from multi-jurisdictions and deriving a mutual benefit, may submit a multi-jurisdiction application. Cities and/or counties applying under Traditional or Non-Traditional Economic Development or Microenterprise Development sharing a mutual project requiring joint action and deriving a mutual benefit may submit a multi-jurisdiction application. A lead applicant must be named for the

multi-jurisdiction application. A multi-jurisdiction application solely for administrative convenience does not adequately address a mutual problem. Applicants wishing to submit a multi-jurisdiction application must receive prior written permission from DLG. DLG reserves the right to waive the multi-jurisdiction application requirements in any county not containing an incorporated city provided the level of funding does not exceed the established multi-jurisdiction ceiling.

E. Eligible Activities

A detailed explanation of eligible activities is found in Section 5305 of the Act. Each activity must address one of the three National Objectives (Section II).

F. Amount and Split of Funds

Kentucky's 2012 Allocation	\$23,102,002
Less Administrative Costs (\$693,060 (3%) + \$100,000)	<u>793,060</u>
Subtotal	22,308,943
Plus 2011 Undistributed Funds	<u>4,267,091</u>
Total Amount for Distribution	\$26,576,033
Program Areas	Total Dollars Available
Public Facilities	\$7,000,000
Economic Development	5,000,000
Housing	5,000,000
Community Projects/Renaissance	5,000,000
Public Services (Recovery Kentucky)	2,550,000
Community Emergency Relief Fund	1,976,033
Microenterprise Development	50,000

Some minor adjustment of the split of funds is possible depending on the actual number of applications and amount requested by applicants. DLG reserves the right to make those adjustments as necessary.

The Commissioner of DLG reserves the right to adjust the amount and split of funds in case of a natural disaster based on an Emergency Declaration by the Governor. The resulting projects must meet the qualifying factors for Activities Designed to Meet Community Development Needs Having a Particular Urgency. In such instances, funding levels can be adjusted as necessary based on the extent and severity of the emergency.

G.

<u>Grant Ceilings</u>	<u>Individual</u>	<u>Multi-Jurisdiction</u>
Economic Development <ul style="list-style-type: none"> • Traditional • Non-Traditional 	\$1,000,000 250,000	\$2,000,000 500,000
Microenterprise Development	50,000	100,000
Public Facilities	1,000,000	2,000,000
Self-Help	250,000	500,000
Housing	1,000,000	
Community Projects/Renaissance	500,000	
Community Emergency Relief Fund	100,000	
Public Services (Recovery Kentucky) <ul style="list-style-type: none"> • Existing Facilities • New Facilities 	250,000 300,000	

H. **Number of Applications**

Each jurisdiction must choose whether to submit a Public Facilities, Housing or Community Project application. Only one application may be submitted per year for the three areas listed above. In addition, an applicant may submit one application in the Microenterprise Development and Public Services (Recovery Kentucky) program areas. A jurisdiction is not limited in the number of applications in the CERF and Economic Development program areas.

Only one program area may be applied for per application. DLG's written approval for a multi-jurisdictional application must be obtained and that approval must be secured prior to application.

I. **Submittal of Applications**

Applications must be submitted to:

**Department for Local Government
Office of Federal Grants
1024 Capital Center Drive, Suite 340
Frankfort, Kentucky 40601**

J. **Citizen Participation**

Citizen participation requirements must be met as part of application requirements. The Act requires units of local government to provide reasonable opportunities for citizen participation, hearings and access to information with respect to local community development programs. At a minimum, a community must perform the following activities:

1. Furnish citizens with information that explains the program. Prior to the public hearing, a notice must be published informing citizens that the following information is available for review:

- a. A detailed description of the project being proposed.
 - b. Amount of CDBG funds expected to be made available, range of activities that may be undertaken and if applicable, available and/or anticipated program income.
 - c. Estimated amount of CDBG funds proposed for activities benefiting persons of low and moderate income.
 - d. Plans for minimizing displacement of persons as a result of activities assisted with CDBG funds and plans for providing assistance to those persons to be actually displaced as a result of CDBG funded activities.
 - e. Records on past use of CDBG funds.
 - f. Summary of other important program requirements.
2. Hold the first public hearing.
- a. The main purpose of this hearing is to obtain views on housing and community development needs and review proposed activities. In addition, the hearing will review the proposed application and discuss social impacts, economic impacts, environmental impacts, project alternatives and solicit public improvements.
 - b. Advertise the hearing in accordance with state and federal laws. KRS 424.130 requires that the public hearing must be advertised at least once, not less than seven (7) nor more than twenty-one (21) days prior to the date of the hearing, in the newspaper of the largest circulation in the jurisdiction. Pursuant to KRS 446.030, the date of the hearing is not to be included in the computation of time. Example: For a public hearing scheduled on Tuesday, June 8th, the newspaper advertisement must be published no earlier than May 18th and no later than June 1st. The notice must include the local TTD number which is (800) 648-6057 or state relay TTY number which is (800) 648-6056.
 - c. Undertake and document additional advertisement to reach low and moderate income persons. Such efforts could include:
 1. Distribute leaflets at neighborhood groceries, churches and community centers.
 2. Undertake door-to-door distribution announcements.
 3. Provide radio (and television if available) public service announcements for broadcast.
 - d. Inform citizens that technical assistance is available to help groups representing low and moderate income persons in developing proposals. Designate where this technical assistance may be obtained.

- e. Hold the public hearing in a location accessible to the disabled and at a time and place convenient to potential or actual beneficiaries. The hearing must provide maximum opportunity for community input.
 - f. Arrange for interpreters for non-English speaking persons if applicable.
 - g. A project description must be available for review seven (7) days prior to the public hearing and the advertisement must identify where a copy of the description may be obtained.
3. Pursuant to 24 CFR 570.486(a) (6) of the CDBG Small Cities Regulations, public hearings are also necessary during the course of a project when a modification is proposed that substantially changes the original activities, whether activities are added or deleted.
4. A second public hearing must be held prior to closeout.
- a. The main purpose of this hearing is to review past use of funds and program performance.
 - b. Advertise the hearing in accordance with state and federal laws that the project is nearing closeout and comments from the public are invited. KRS 424.130 requires that the public hearing must be advertised at least once, not less than seven (7) nor more than twenty-one (21) days prior to the date of the hearing, in the newspaper of the largest circulation in the jurisdiction. Pursuant to KRS 446.030, the date of the hearing is not to be included in the computation of time. The notice must include the local TTD number which is (800) 648-6057 or state relay TTY number which is (800) 648-6056.
 - c. Ensure that steps are again taken concerning LMI participation, providing a time and place convenient to beneficiaries, a location accessible to the disabled and assistance to non-English speaking persons.
5. Respond to public comments.
- a. Respond in writing to all written comments received during the public hearing process.
 - 1. Indicate comments were considered.
 - 2. Cite reasons for rejection if applicable.
 - 3. File comments and responses in the citizen participation file.

- b. Develop a complaint and grievance procedure where written complaints and grievances are answered in writing within fifteen (15) working days. Provide citizens the address, phone number and times for submitting complaints and grievances.

K. **eClearinghouse Review**

All CDBG applications are subject to the eClearinghouse Review Process and must have an endorsement to be approved for funding. Applicants for funding from the Community Projects/Renaissance, Housing and Public Facilities program areas must include an eClearinghouse **endorsement letter** as part of their application. Failure to do so will disqualify the application. In order to secure the endorsement, applicants must submit a request for review to the eClearinghouse at least thirty (30) days prior to submission of a CDBG application to DLG. The eClearinghouse submittal should be fully complete. Applicants requesting funding from the CERF, Economic Development, Microenterprise Development, and Public Services program areas must submit a request for review to the eClearinghouse at least by the application submission date.

All eClearinghouse submissions must be made electronically to DLG via <https://eclearinghouse.ky.gov/>. Please follow the instructions for applicants and reviewers on the DLG website to have a timely and efficient review (<http://www.dlg.ky.gov/NR/rdonlyres/C6A21657-40AB-4C69-B153-750471AA4116/0/InstructionsforApplicants.doc>).

If the application is for water or wastewater projects, the WRIS Project Profile must be correct before you submit the project to the eClearinghouse. If submitting an application for Community Projects/Renaissance, Housing or Public Facilities, it is recommended that applicants work with the State Historic Preservation Officer (Kentucky Heritage Council) during the review process to ensure completion in a timely manner. It is highly recommended that supplemental documentation supporting the project review, such as pictures of the surrounding area and project site, maps of the project site, and detailed cost estimates, are submitted to the Kentucky Heritage Council. To work with the Kentucky Heritage Council please contact:

Yvonne Sherrick
Environmental Site Review Coordinator
Kentucky Heritage Council
300 Washington Street
Frankfort, Kentucky 40601
Phone: 502-564-7005, ext. 112

If you have any questions regarding the eClearinghouse review process please contact Ms. Lee Nalley (Lee.Nalley@ky.gov).

L. **Notice of Intent to Apply**

All applicants requesting 2012 CDBG funding are **strongly encouraged** to submit a Notice of Intent to Apply. This form can be found at (<http://www.dlg.ky.gov/NR/rdonlyres/86A86AF0-0DC9-4240-AF0A-2EAA11F606F7/0/2011CDBGIntenttoApplyUpdate12011.doc>). The Notice of Intent to Apply may be submitted at anytime prior to application submittal. The form must be signed by the applicant's CEO.

The purpose of the Notice of Intent to Apply is to alert DLG that an application is forthcoming and set forth basic information on project activities and funding amount. There are several advantages to submitting the Notice of Intent to Apply. First, DLG will respond to the Notice and issue an invitation to meet to discuss the application if the applicant wishes. Other advantages include the fact that DLG will advise if all the funds in a particular program area have been committed and point out any potential eligibility or threshold issues observed.

M. **Standard Application Forms**

Standard 2012 forms are available at DLG or at Area Development District offices. Forms may also be downloaded from the DLG web page (www.dlg.ky.gov). A complete set of forms must be submitted and only current 2012 forms will be accepted. A separate application form is provided for each of the program areas.

N. **Site Visits/Consultations**

DLG has the option to make site visits to the project site and/or request applicants to meet with staff to discuss the application. Project questions may be presented to applicants via letter or email.

O. **Life of Application**

Unsuccessful Community Projects, Housing, and Public Facilities applications submitted during the 2012 application cycle **may** be eligible for reconsideration, in the same program area, during the 2013 application cycle with approval from DLG. Said approval to roll an application over to the succeeding application cycle will require a request signed by an applicant's CEO and a determination by DLG that the application remains eligible and any proposed change is minimal. If approval is granted, the applicant will be notified of any extra submittals required. Economic Development and CERF applications remain active and roll to the year following submission without formal approval.

DLG's 2011 Action Plan was amended to allow unsuccessful 2011 applications to be reconsidered during the 2012 application cycle by following the same requirements as stated above.

P. **Notification**

Applicants will be notified when funding decisions have been made.

Q. **Undistributed, Recaptured, Reallocated Funds and Program Income**

1. **Undistributed Funds (Remaining Funds)**

Undistributed funds are those 2012 monies that have not been obligated to a particular grantee by February 28, 2013. These funds can be from all program areas. If FY 2012 undistributed funds remain on February 28, 2013, those funds will be pooled (at this time, these undistributed funds may be obligated for use in other program areas for remaining 2012 applicants). Funds carried into the next program year will be allocated to one or more program areas and distributed in accordance with the Consolidated Plan.

2. **Recaptured Funds (Redistributed Funds)**

Recaptured funds are those monies received during the 2012 CDBG program year from the 2000 through 2012 CDBG program. These funds can be from any program area. Any CDBG funds recaptured during the 2012 CDBG program year may be allocated to one or more projects based on need.

3. **Reallocated Funds**

Reallocated funds are those monies recaptured by HUD. Any CDBG funds reallocated by HUD during the 2012 CDBG program year will be allocated to one or more program areas and distributed in accordance with the Consolidated Plan.

4. **Program Income**

Program income is defined as gross income received by a unit of general local government or a subrecipient of a unit of general local government that was generated from the use of CDBG funds. Unless specified for use in the project from which the funds were derived, the grantee will retain these funds in a dedicated revolving fund account to be used for other eligible CDBG activities. The re-use of such funds is subject to all provisions of Title I of the Housing and Community Development Act. Program income not subject to Title I federal regulations includes the following:

- a. The total amount of funds which is less than \$25,000 received in a single year that is received by a unit of general local government and its subrecipients.
- b. Amounts generated by activities eligible under Section 5305(a)(15) of the Act and carried out by an entity under the authority of Section 5305(a)(15) of the Act.

DLG reserves the right to recapture local program income from communities that fail to adequately meet statutory, contractual or regulatory requirements. Use of program income must be approved by DLG.

R. **HUD Section 108 Loan Guarantee Program**

The Section 108 Loan Guarantee Program allows a state to leverage up to five times its annual CDBG funds for large-scale economic development and community projects. In light of current market conditions and to encourage development in Kentucky, the Commonwealth is now considering applications from non-entitlement communities that the Commonwealth may submit to HUD on behalf of these communities for the Section 108 Loan Guarantee program. Funds borrowed using Section 108 requires a pledge of the Commonwealth's current and future CDBG allocations. CDBG rules and requirements apply. DLG has developed specific Section 108 Guidelines for non-entitlement communities that may be interested in this program. You may view these guidelines at www.dlg.ky.gov. Please contact the DLG Office of Federal Grants for more information on this program.

**SECTION IV
COMMUNITY EMERGENCY RELIEF FUND (CERF)**

All CERF requests must meet the following criteria:

1. The proposed project must alleviate existing conditions which pose a serious and immediate threat to the health and welfare of the community;
2. The threat must be supported by a current declaration of an emergency by the Governor relative to a flood, a tornado, an earthquake or other disaster event;
3. The conditions are of recent origin (within 18 months of the Governor's Emergency Declaration); and
4. The applicant is unable to finance the project on its own, no other funding is available to address the problem and CDBG funding will be directly targeted towards alleviation of the threatening conditions.

CERF assistance will generally not be made available to projects with public facility failures resulting from neglected maintenance by a locality.

PROJECT SELECTION PROCESS

A. **Submission Dates**

Complete original applications for CERF projects will be accepted from April 2, 2012, through close of business on February 28, 2013.

B. Notice of Intent to Apply

A Notice of Intent to Apply may be submitted as referenced in Section III.

C. Acceptance of Applications

1. An original and one (1) copy of the complete and accurate standard CERF Project Application Form must be submitted.
2. Activities described in the application will be checked to determine if they meet the fundability criteria as established in the Housing and Community Development Act, including that an emergency exists that meets the National Objective as prescribed in 24 CFR 570.483(d).
3. Project activities must meet one of the three National Objectives as referenced in Section II.
4. The following requirements must be met, documented and submitted with the application:
 - a. The CERF Reimbursement Spreadsheet and evidence of payment, including invoices, cancelled checks, and force account labor records and equipment records if applicant is seeking reimbursement.
<http://www.dlg.ky.gov/NR/ronlyres/D685629E-8666-4101-A6BC-E5752B5E6E1E/0/CERFprojectssummarysheet112310final.xls>
 - b. Documentation of the citizen participation requirements must be met as referenced in Section III.
 - c. Authorizing Resolution to submit the project must be included. The Resolution must be signed by the applicant's CEO, dated and attested.
 - d. The Certification of Community Needs Having a Particular Urgency form.
 - e. A copy of the Declaration of Emergency signed by the Governor.
 - f. All funding Commitment Letters; if cash please attach a bank statement, if loan please attach proof of commitment from lending institution to borrow funds. *(if applicable)*
 - g. The State eClearinghouse request for review must be submitted as referenced in Section III and the applicant must assure that it will comply with all environmental requirements promulgated in 24 CFR Part 58.
 - h. Letter of determination of eligibility for listing on the National Register of Historic Places from the Kentucky Heritage Council, and clearance from the State Historic Preservation Officer. *(if applicable)*
 - i. The HUD-2880, Applicant/Recipient Disclosure/Update Report

<http://www.hud.gov/offices/adm/hudclips/handbooks/hsg/4350.2/43502x18HSGH.pdf>.

- j. For water and sewer projects all required planning documents (e.g. Wastewater Facilities Plans [WWFP] or the Kentucky Water Management Plans [KWMP]) must include or be amended to include the proposed sewer or water project. All sewer projects must have written approval from the Water Infrastructure Branch of the Division of Water (DOW). *(if applicable)*
- k. Applicants proposing water treatment activities, water storage activities, regional water service or connections must meet with the Water Infrastructure Branch of DOW to discuss *(if applicable)*. To arrange the meeting, contact:

Mark Rasche, Supervisor
Engineering Section
Phone: (502)564-3410, ext. 4804

D. **CERF Project Review Criteria**

For a project to obtain funding, a determination must be made regarding project need, reasonability of costs and overall project effectiveness. To make this determination the following considerations will be applied to each project:

Project Need

The project must substantiate and address a need that is significant to the community.

Necessary and Reasonable Expenditure of CDBG Funds

The project must substantiate that CDBG funding is necessary to meet the identified need(s), the impact of the CDBG dollars is maximized and the use of CDBG funds is reasonable. The state will determine whether all other feasible public and private funding sources have been analyzed and applied to the project.

3. **Project Effectiveness**

The project must substantiate that the project accomplishments would be significant given the need, amount of funds requested, local effort and program design.

E. **Project Review Committee**

The findings will be submitted to the review committee designated by the Governor. The committee will meet to evaluate projects based on the review criteria and staff comments. The committee will make a determination of approval, modification, rejection or deferral. Projects that do not meet all three (3) review criteria will not be funded. The committee shall have the authority to determine funding.

In the event that the local unit of government maintains a budgetary surplus to adequately fund the project, the review committee reserves the right to reject the project.

If more than one application is submitted and there are not sufficient funds to address all funding requests, the committee shall prioritize the funding distribution.

SECTION V COMMUNITY PROJECTS/RENAISSANCE

PROJECT SELECTION PROCESS

A. Submission Dates

Applications for Community Projects will be accepted from April 2, 2012, through close of business on September 4, 2012.

B. Notice of Intent to Apply

A Notice of Intent to Apply may be submitted as referenced in Section III.

C. Acceptance of Applications

1. An original and one (1) copy of the complete and accurate standard Community Project Application Form must be submitted.
2. Activities described in the application will be checked to determine if they meet the fundability criteria as established in the Housing and Community Development Act.
3. Project activities must meet one of the three National Objectives as referenced in Section II.
4. The following requirements must be met, documented and submitted with the application:
 - a. Detailed Cost Estimate from a Certified Architect or a Licensed Professional Engineer. Please be cognizant of the required discipline needed to complete the project.
 - b. Documentation of meeting the citizen participation requirements must be met as referenced in Section III.
 - c. Authorizing Resolution to submit the project must be included. The Resolution must be signed by the applicant's CEO, dated and attested.
 - d. All funding Commitment Letters; if cash please attach a bank statement, if loan please attach proof of commitment from lending institution to borrow funds. *(if applicable)*
 - e. The eClearinghouse Review must be completed and endorsed as referenced in Section III.
 - f. Applicant must have determination of eligibility for listing on the National Register of Historic Places from Kentucky Heritage Council and approval from the State Historic

- Preservation Officer.
- g. Letter signed by the applicant CEO stating how the applicant has met threshold requirements as stated in Section III.
 - h. The HUD-2880, Applicant/Recipient Disclosure/Update Report
<http://www.hud.gov/offices/adm/hudclips/handbooks/hsg/4350.2/43502x18HSGH.pdf>.
 - i. All required planning documents (e.g. Waste Water Facilities Plans [WWFP] or the Kentucky Water Management Plans [KWMP]) must include or be amended to include the proposed sewer or water project. All sewer projects must have written approval from the Water Infrastructure Branch of the Division of Water (DOW) and approval must be dated within one (1) year of submission of the submission requirements.
 - j. Applicants proposing water treatment activities, water storage activities, regional water service or connections must meet with the Water Infrastructure Branch of DOW to discuss. To arrange the meeting, contact:
Mark Rasche, Supervisor
Engineering Section
Phone: (502)564-3410, ext. 4804

D. **Community Projects Review Criteria**

In order for a project to be funded, a determination must be made regarding project need, reasonability of costs and overall project effectiveness. To make this determination the following considerations will be applied to each project:

1. **Project Need**

The project must substantiate and address a need that is significant to the needs of the community.

2. **Necessary and Reasonable Expenditure of CDBG Funds**

The project must substantiate that CDBG funding is necessary to meet the identified need(s); the impact of CDBG dollars is maximized and the use of CDBG funds is reasonable when compared with other funding sources. The state will determine whether all other feasible public and private funding sources have been analyzed and/or applied to the project. In order to assure that funds are committed, funding commitments from public/private funding sources shall be included in the application. The commitments may be contingent on CDBG funding.

3. **Project Effectiveness**

The project must substantiate that project accomplishments would be significant given the need, amount of funds requested, local effort and program design.

E. **Project Priority**

Staff review will culminate in projects being placed in one of the following four (4) priorities:

Priority I: Applications in this category have met all program requirements and have a minimum of a 25% match of other funds.* Additionally, all other funds are firmly committed and design is complete and approved by the appropriate agency (ies).

Priority II: Applications in this category have met all program requirements and have a minimum of a 15% match of other funds.* Additionally, all other funds are firmly committed and design may not be complete.

Priority III: Applications in this category have met all program requirements However, project needs, benefits and/or community involvement are less than that needed for Priority I or II. In addition, applicant has failed to provide at least 15% match of other funds. Projects in this category will be held until the final three months of the funding cycle and may be recommended for funding if funds are still available.

Priority IV: Applications in this category have not met all program requirements and/or the project is not recommended for funding by DLG staff.

*Match requirements are waived for Fifth (5th) and Sixth (6th) class cities. However, if other funds are required to complete the project scope for Fifth (5th) and Sixth (6th) class cities, funds must be firmly committed.

F. **Project Review Committee**

The findings will be submitted to the review committee designated by the Governor. The committee will meet to evaluate projects based on the review criteria and staff comments. The committee will make a determination of approval, rejection or deferral. Projects that do not meet all three review criteria will not be funded. In the event demand exceeds the amount of funds available, those projects with the greatest need and effectiveness will be recommended for funding.

In some situations, a project will be eligible for partial funding. In such instances, DLG will negotiate with the applicant to ascertain whether the project can be reduced in size or restructured.

SECTION VI ECONOMIC DEVELOPMENT

The Economic Development component of the CDBG program is comprised of two segments. **Traditional Economic Development** projects are those which specifically address the creation or retention of jobs for persons of low and moderate income through the provision of assistance to specific industrial and/or business clients. **Non-Traditional Economic Development** projects are those which will allow for the funding of eligible activities benefiting low and moderate income persons that may not directly relate to job creation. Typical activities include, but are not limited to, job training and placement or other support services including peer support, counseling, child care and transportation.

PROJECT SELECTION PROCESS

A. **Submission Dates**

Applications for Economic Development projects will be accepted from April 2, 2012, through close of business on February 28, 2013.

B. **Notice of Intent to Apply**

A Notice of Intent to Apply may be submitted as referenced in Section III.

C. **Acceptance of Applications**

A complete original and one (1) copy of the standard application form must be submitted.

Activities described in the application will be checked to determine if they meet fundability criteria as established in the Housing and Community Development Act, including the Public Benefit requirements as required by 24 CFR 570.482(e).

Project activities must meet one of the three National Objectives as referenced in Section II.

The following requirements must be met, documented and submitted with the application:

- a. The citizen participation requirements must be met as referenced in Section III.
- b. Authorizing Resolution to submit the project must be included. The Resolution must be signed, dated and attested.
- c. The eClearinghouse request for review must be submitted as referenced in Section III.
- d. Applicant must have determination of eligibility for listing on the National Register of Historic Places from Kentucky Heritage Council and approval from the State Historic Preservation Officer (if applicable).
- e. Letter signed by the applicant CEO stating how the applicant

- has met threshold requirements as stated in Section III.
- f. Letter signed by the participating party assuring:
 - i. Commitment of full time employment, either created or retained (as applicable), and assurance of compliance with the LMI National Objective.
 - ii. Compliance with all Environmental requirements promulgated in 24 CFR 58 for non-exempt activity and further indicating that no obligation of funds will occur prior to DLG's environmental clearance.
 - iii. Commitment of Participating Party's investment.
- g. The HUD-2880, Applicant/Recipient Disclosure/Update Report
<http://www.hud.gov/offices/adm/hudclips/handbooks/hsgH/4350.2/43502x18HSGH.pdf>.
- h. All required planning documents (e.g. Waste Water Facilities Plans [WWFP] or the Kentucky Water Management Plans [KWMP]) must include or be amended to include the proposed sewer or water project. All sewer projects must have written approval from the Water Infrastructure Branch of the Division of Water (DOW) and approval must be dated within one (1) year of submission of the submission requirements.
- i. Applicants proposing water treatment activities, water storage activities, regional water service or connections must meet with the Water Infrastructure Branch of DOW to discuss. To arrange the meeting, contact:

Mark Rasche, Supervisor
 Engineering Section
 Phone: (502)564-3410, ext. 4804

D. Economic Development Proposals Requesting Assistance Under 5305(a)(14)

Applicants may request grants for activities that are carried out by public and private non-profit entities. The activities include, but are not limited to, the acquisition of real property; the acquisition, construction, reconstruction or installation of both public facilities improvement and utilities; and business or industrial buildings or real property improvements. Such activities are eligible under Section 5305(a)(14) of the Act.

E. Economic Development Proposals Requesting Assistance Under 5305(a)(15)

Applicants requesting assistance for non-profit organizations under Section 5305 (a)(15) of the Act must assure that the community economic development project includes activities that increase economic

opportunity, principally for persons of low and moderate income or that stimulate or retain permanent jobs. Recipients can use CDBG funds for grants or loans to non-profit organizations for the purpose of promoting economic development. Recapture generated by activities eligible under Section 5305(a)(15) of the Act may not be subject to program income requirements as specified in Section 570.489 of the regulations.

F. Economic Development Proposals Requesting Assistance Under 5305(a)(17)

Applicants requesting assistance to private for-profit organizations under Section 5305(a)(17) of the Housing and Community Development Act must include a specific "appropriate" analysis. The purpose of this analysis is to determine the extent of need of the for-profit business for CDBG assistance and the amount of assistance to be provided in comparison to the public benefit that is expected as a result of such assistance. The review must include a financial analysis and discussion of the extent of public benefit. The applicant must not negotiate the loan rate and term prior to conducting the appropriate review. These items will be determined based on a financial analysis of the company.

The analysis will include but not be limited to the following steps:

1. Determination of project type.
2. Evaluation of the proposed project costs.
3. Verification and maximization of private funding sources.
4. Determination of need for CDBG assistance.
This criterion will include review of the financing or collateral gap, rate of return and locational factors as applicable.
5. Determination of amount of CDBG assistance.
6. Determination of rate and term of CDBG assistance.
7. Assessment of public benefit.

While there are no set standards for public benefit, discussions might include: the number and type of jobs to be made available, the number of LMI persons, other persons who are likely to be employed or retained for employment, the other development likely to be stimulated, increases to the tax base or increases in needed services which will result from the project.

G. Economic Development Projects Review Criteria

Both Traditional and Non-Traditional Economic Development applications will be reviewed under criteria developed for that particular application type. In order for a project to be funded, a determination must be made that CDBG funds are needed to accomplish the project and the amount of funds requested is reasonable relative to job creation where applicable and other funding associated with the project. To make this determination, the following criteria will be reviewed:

1. **Permanent Jobs Created/Retained/Available**

Traditional Economic Development projects must create or retain jobs. Non-Traditional Economic Development projects can create or retain jobs or can qualify as noted below. When job creation/retention is claimed, no funds will be obligated without an assurance by the project's beneficiary (e.g. developer, industry, employer, etc.) that permanent full time/equivalent employment will occur as a result of CDBG expenditure. The beneficiary will provide the applicant a statement of:

- a. Documentation of number, type and salary range of permanent jobs to be created or retained over a two year period;
- b. Documentation to support LMI characteristics of the retained workforce, imminent loss of existing jobs and that jobs can reasonably be expected to be filled by LMI persons;
- c. Documentation to support that existing non-LMI jobs may be considered available to LMI persons, if vacated; and
- d. Acceptance of the applicable LMI hiring requirement.

The number of jobs being committed must be reasonable in relation to the amount of the CDBG request. Permanent full time/equivalent jobs are calculated on a basis of 2000 hours per year.

2. **The Ratio of Other Public/Private Funds to CDBG Funds**

The impact of CDBG dollars must be maximized and the use of CDBG funds reasonable when compared with other funding sources. The applicant must demonstrate that all other feasible public/private funding sources have been analyzed and/or applied to the project. In order to assure that funds are secured, funding commitments from public/private funding sources shall be included with the project application. The commitments may be contingent on CDBG funding. Applications will be analyzed with respect to the use and/or potential use of recaptured funds by the applicant and/or its agent from any prior Economic Development project(s). All applicants will be required to complete a Repayment Report as part of the application. DLG reserves the right to reduce an applicant's request as appropriate based on the cash balance on hand and/or the projected revenue to be earned from a previous grant(s). If an applicant feels that such an action is inappropriate, it must justify its rationale. Recaptured funds originating from CDBG Economic Development projects, not falling under the category of program

income, will also be evaluated to confirm the efficient and effective use of the funds.

3. **Applicability of Recaptured Funds**

Recaptured funds and any related earnings from CDBG Economic Development projects are retained by the recipient or designated subrecipient. These funds must be used for eligible CDBG activities (See Appendix A). The recipient must propose the method of collection, identify the potential activities to be funded and designate the subrecipient(s) responsible for collection, accounting and disbursement. **Use of program income must be approved by DLG.**

H. **Additional Non-Traditional Review Criteria**

1. **Project Need**

The project must substantiate and address a need that is significant to the economic development efforts of the community. Relevant demographic information including unemployment rate, per capita income and poverty level are important factors for consideration.

2. **Necessary and Reasonable Expenditure of CDBG Funds**

The project must substantiate that CDBG funding is necessary to meet the identified need(s), the impact of CDBG dollars is maximized and the use of CDBG funds is reasonable when compared with other funding sources.

3. **Project Effectiveness**

The application must substantiate that project accomplishments would be significant given the need, amount of funds requested, local effort and program design. If the project does not propose the creation/retention of permanent full time/equivalent employment, the applicant must identify the proposed beneficiaries and identify which section of the Act determines eligibility.

4. **Low and Moderate Income Qualification**

Non-Traditional Economic Development projects which do not use job creation as the basis for meeting a national objective may qualify the project through direct survey of the people served or under the Aggregate Standards or Limited Clientele provisions of the regulations. The applicant must identify the method used to qualify the project.

I. **Economic Development Project Review Process**

Review of Economic Development applications is a two-part process involving preliminary staff review followed by consideration of the review committee.

1. **Application Preliminary Review**

When documentation from the applicant is complete, DLG staff will conduct their review utilizing the underwriting guidelines contained

in Section 570.482 (e), Guidelines and Objectives for Evaluating Project Costs and Financial Requirements, contained in the HUD Small Cities Guidelines. Staff will present the application to the review committee for its consideration and recommendation for funding.

An "appropriate" determination will be completed for all projects proposed under Section 5305(a)(17) prior to submission to the review committee.

In order for a Non-Traditional Economic Development project to be funded, a determination must be made regarding project need, reasonability of costs and overall project effectiveness.

2. **Project Priority**

Staff review will culminate in projects being placed in one of three (3) priorities:

Priority I: Applications in this category have met all program requirements, exhibit serious economic development need, maximize the impact of CDBG funds and substantiate significant proposed accomplishments.

Priority II: Applications in this category have met all program requirements and are fundable projects. Priority II applications can be funded by the committee or deferred if appropriate.

Priority III: Applications in this category are ineligible, unfundable or do not meet a national objective.

3. **Project Review Committee**

Staff findings will be submitted to the review committee designated by the Governor. The committee will meet to evaluate projects based on the review criteria and staff comments. The committee will make a determination of approval, rejection or deferral. Projects that do not meet all three of the review criteria will not be funded. In the event that demand exceeds amount of funds available, those projects with the greatest need and effectiveness will be recommended for funding.

J. **Negotiation**

In some situations, a project will be eligible for partial funding or a change in loan rate and term. In such instances, DLG may negotiate with the applicant to ascertain whether the project can be reduced in size or restructured financially.

- K. **Life of Economic Development Application**
DLG reserves the right to defer a project application into a subsequent funding round due to insufficient funds availability. A new application is not necessary.
- L. **Applicant Appeals**
Applicants may request a second review of their application by the review committee by submitting a letter of appeal to the Commissioner of DLG within ten (10) business days after receiving written notice of committee action.

SECTION VII HOUSING PROJECTS

PROJECT SELECTION PROCESS

- A. **Submission Dates**
Applications for Housing projects will be accepted from April 2, 2012, through close of business on September 4, 2012.
- B. **Notice of Intent to Apply**
A Notice of Intent to Apply may be submitted as referenced in Section III.
- C. **Acceptance of Applications**
1. An original and one (1) copy of the standard application forms must be submitted.
 2. Activities described in the application will be checked to determine if they meet fundability criteria as established in the Housing and Community Development Act.
 3. Project activities must meet one of the three National Objectives as referenced in Section II.
 4. The following requirements must be met, documented and submitted with the application:
 - a. **Housing Detailed Cost Estimate from the DLG Website.**
<http://www.dlg.ky.gov/NR/ronlyres/CE4B9E1D-B4E4-42E0-A819-53B1D0CA19E7/0/DetailedHousingCostEstimate.xls>
 - b. **The Homeowners List.**
<http://www.dlg.ky.gov/NR/ronlyres/9997684A-ED57-4A15-910D-018C7917A179/0/HomeownersList.xls>
 - c. The citizen participation requirements must be met as referenced in Section III.
 - d. Authorizing Resolution to submit the project must be included. The Resolution must be signed, dated and attested.

- e. All funding commitment letters; if cash please attach a bank statement, if a loan please provide proof of ability to borrow funds.
- f. The eClearinghouse Review must be completed and endorsed as referenced in Section III
- g. Applicant must have determination of eligibility for listing on the National Register of Historic Places from Kentucky Heritage Council and approval from the State Historic Preservation Officer.
- h. Letter signed by the applicant CEO stating how the applicant has met threshold requirements as stated in Section III.
- i. For Septic Systems, attach a copy of the letter sent to the local health department listing each structure receiving a new upgraded septic system. *(if applicable)*
- j. For involuntary housing projects that are part of a neighborhood revitalization project, provide documentation to substantiate compliance with KRS Chapter 99 by providing a copy of a City or County approved Redevelopment Plan, including compliance with the Uniform Relocation Act. *(if applicable)*
- k. For voluntary housing projects, provide proof of the publication announcement of the rehabilitation program, a copy of the household surveys, and the adopted Temporary Relocation Policy. *(if applicable)*
- l. Documentation to substantiate that conflict of interest provisions have been discussed with the governing body and possible recipients.
- m. The HUD-2880, Applicant/Recipient Disclosure/Update Report
<http://www.hud.gov/offices/adm/hudclips/handbooks/hsg/4350.2/43502x18HSGH.pdf>.
- n. All required planning documents (e.g. Waste Water Facilities Plans [WWFP] or the Kentucky Water Management Plans [KWMP]) must include or be amended to include the proposed sewer or water project. All sewer projects must have written approval from the Water Infrastructure Branch of the Division of Water (DOW) and approval must be dated within one (1) year of submission of the submission requirements.

D. **Housing Projects Review Criteria**

For a project to be funded, a determination must be made regarding need, reasonability of costs and overall effectiveness. To make this determination the following considerations will be applied to each project:

1. **Project Need**

The project must substantiate and address a need that is significant to the housing needs of the community (e.g., major and serious dilapidation, deterioration or inadequacy of housing stock and/or public facilities).

2. **Necessary and Reasonable Expenditure of CDBG Funds**

The project must substantiate that CDBG funding is necessary to meet the identified need(s), the impact of CDBG dollars is maximized and the use of CDBG funds is reasonable when compared with other funding sources. DLG will determine whether all other feasible public and private funding sources have been analyzed and/or applied to the project. In order to assure that funds are committed, funding commitments from public/private funding sources shall be included in the application. The commitments may be contingent on CDBG funding.

Any Program Income earnings from CDBG Housing projects retained by the recipient or designated subrecipient must be used for eligible CDBG activities. The recipient must propose the method of collection, identify the potential activities to be funded and designate the recipient(s) responsible for collection, accounting and disbursement.

3. **Project Effectiveness**

The project must substantiate that project accomplishments would be significant given the need, amount of funds requested, local effort and program design.

E. **Project Priority**

Staff review will culminate in projects being placed in one of the following three (3) priorities:

Priority I: Applications in this category have met all program requirements, exhibit serious housing (including water or sewer) needs, substantiate significant project accomplishments and maximize the impact of CDBG funds. This includes the level of CDBG funds applied to housing units versus CDBG funds applied to public facilities activities within the overall housing project.

Priority II: Applications in this category have met all program requirements and are fundable projects. However, project needs, accomplishments and impact of CDBG funds and/or benefits are less acceptable. This includes the level of CDBG funds applied to housing units versus CDBG funds applied to public facilities activities within the overall housing project.

Priority III: Applications in this category have serious deficiencies, are ineligible or not fundable.

F. **Project Review Committee**

The findings will be submitted to the review committee designated by the Governor. The committee will meet to evaluate projects based on the review criteria and staff comments. The committee will make a determination of approval, rejection or deferral. Projects that do not meet all three of the review criteria will not be funded. In the event demand exceeds amount of funds available, those projects with the greatest need and effectiveness will be recommended for funding.

In some situations, a project will be eligible for partial funding. In such instances, DLG will negotiate with the applicant to ascertain whether the project can be reduced in size or restructured.

SECTION VIII MICROENTERPRISE DEVELOPMENT

The Microenterprise Development component of the CDBG program is designed to assist in the building of capacity of local communities and community based organizations in developing and supporting micro-businesses. Microenterprise Development is defined as a commercial enterprise that has five or fewer employees, one or more of whom owns the venture. Section 5305(a)(22) of the Act defines the eligibility components for the use of CDBG funds for this endeavor. Grants must be made to a city or county. Applicants must demonstrate how it will deliver services to its LMI clients. Applicants must clearly define their service area and describe in detail what service(s) will be provided, how they will target LMI entrepreneurs and how they plan to measure benefits provided. Eligible applicants must exhibit the ability to capitalize a microenterprise loan pool from CDBG or other revenue sources as applicable.

PROJECT SELECTION PROCESS

A. **Submission Dates**

Applications for Microenterprise Development projects will be accepted from April 2, 2012, through close of business on September 4, 2012.

B. **Notice of Intent to Apply**

A Notice of Intent to Apply may be submitted as referenced in Section III.

C. **Acceptance of Applications**

1. A complete original and one (1) copy of the standard application form must be submitted.
2. Activities described in the application will be checked to determine

if they meet fundability criteria as established in the Housing and Community Development Act, including the Public Benefit requirements as required by 24 CFR 570.482(e).

3. Project activities must meet one of the three National Objectives as referenced in Section II.
4. The following requirements must be met, documented and submitted with the application:
 - a. The citizen participation requirements must be met as referenced in Section III.
 - b. Authorizing Resolution to submit the project must be included. The Resolution must be signed, dated and attested.
 - c. The eClearinghouse request for review must be submitted as referenced in Section III.
 - d. Letter signed by the applicant CEO stating how the applicant has met threshold requirements as stated in Section III.
 - e. Letter signed by the participating party assuring commitment of investment.
 - f. Copy of program curriculum to be offered.
 - g. The HUD-2880, Applicant/Recipient Disclosure/Update Report
<http://www.hud.gov/offices/adm/hudclips/handbooks/hsgH/4350.2/43502x18HSGH.pdf>.

D. Microenterprise Development Proposals Requesting Assistance Under 5305(a)(22)

As defined, CDBG funds can be utilized for the provision of assistance to public and private organizations, agencies and other entities (including nonprofit and for-profit entities) to enable such entities to facilitate economic development by: (a) providing credit (including providing direct loans and loan guarantees, establishing revolving loan funds and facilitating peer lending programs) for the establishment, stabilization and expansion of microenterprises; (b) providing technical assistance, advice and business support services (including assistance, advice and support relating to developing business plans, securing funding, conducting marketing and otherwise engaging in microenterprise activities) to LMI owners of microenterprises and LMI persons developing microenterprises; and (c) providing general support (such as peer support programs and counseling) to LMI owners of microenterprises and LMI persons developing microenterprises.

E. Microenterprise Development Review Criteria

For a project to be funded; a determination must be made that CDBG funds are needed to accomplish the project and the amount of funds requested is reasonable relative to micro-business growth potential and other funding associated with the project.

1. **Project Need**
The project must substantiate and address a need that is significant to the economic development efforts of the community. Relevant demographic information including unemployment rate, per capita income and poverty level are important factors for consideration.
2. **Necessary and Reasonable Expenditure of CDBG Funds**
The project must substantiate that CDBG funding is necessary to meet the identified need(s), the impact of CDBG dollars is maximized and the use of CDBG funds is reasonable when compared with other funding sources.
3. **Project Effectiveness**
The application must substantiate that project accomplishments would be significant given the need, amount of funds requested, local effort and program design. The applicant must identify the proposed beneficiaries and identify which section of the Act determines eligibility.

F. **Microenterprise Development Project Review Process**

For a Microenterprise Development project to be funded, a determination must be made regarding project need, reasonability of costs and overall project effectiveness.

1. **Project Priority**

DLG staff review will culminate in projects being placed in one of the following three (3) priorities:

Priority I: Applications in this category have met all program requirements, exhibit serious economic development need, maximize the impact of CDBG funds and substantiate significant proposed accomplishments.

Priority II: Applications in this category have met all program requirements and are fundable projects. Priority II applications can be funded by the committee or deferred if appropriate.

Priority III: Applications in this category are ineligible, unfundable or do not meet a national objective.

2. **Project Review Committee**

Staff findings will be submitted to the review committee designated by the Governor. The committee will meet to evaluate projects based on the

review criteria and staff comments. The committee will make a determination of approval, rejection or deferral. Projects that do not meet all three of the review criteria will not be funded. In the event that demand exceeds amount of funds available, those projects with the greatest need and effectiveness will be selected for funding.

In some situations, a project may be eligible for partial funding. In such instances, DLG may negotiate with the applicant to ascertain whether the project can be reduced in size or restructured.

G. **Applicant Appeals**

Applicants may request a second review of their application by the committee by submitting a letter of appeal to the Commissioner of DLG within ten (10) business days after receiving written notice of committee action.

SECTION IX PUBLIC FACILITIES

PROJECT SELECTION PROCESS

A. **Submission Dates**

Applications for Public Facility projects will be accepted from April 2, 2012, through close of business on September 4, 2012.

B. **Notice of Intent to Apply**

A Notice of Intent to Apply may be submitted as referenced in Section III.

C. **Acceptance of Applications**

1. An original and three (3) copies of the complete and accurate standard Public Facilities Project Application Form must be submitted.
2. Activities described in the application will be checked to determine if they meet the fundability criteria as established in the Housing and Community Development Act.
3. Project activities must meet one of the three National Objectives as referenced in Section II.
4. The Kentucky Drinking Water/Wastewater Project Profile (WRIS) must be electronically submitted to the Kentucky Infrastructure Authority. Please ensure all Profile information matches the information in the application.
5. The following requirements must be met, documented and submitted with the application:
 - a. Detailed Cost Estimate from a Licensed Professional Engineer.
 - b. Documentation of meeting the citizen participation

- c. requirements must be met as referenced in Section III. Authorizing Resolution to submit the project must be included. The Resolution must be signed by the applicant's CEO, dated and attested.
- d. Documentation supporting the commitment of other funds. *(if applicable)*
- e. eClearinghouse endorsement letter as referenced in Section III.
- f. Letter signed by the applicant CEO stating how the applicant has met threshold requirements as stated in Section III.
- g. HUD-2880, Applicant/Recipient Disclosure/Update Report <http://www.hud.gov/offices/adm/hudclips/handbooks/hsgH/4350.2/43502x18HSGH.pdf>.
- h. All required planning documents (e.g. Waste Water Facilities Plans [WWFP] or the Kentucky Water Management Plans [KWMP]) must include or be amended to include the proposed sewer or water project. All sewer projects must have written approval from the Water Infrastructure Branch of the Division of Water (DOW) and approval must be dated within one (1) year of submission of the submission requirements.
- i. Applicants proposing water treatment activities, water storage activities, regional water service or connections must meet with the Water Infrastructure Branch of DOW to discuss. To arrange the meeting, contact:
 Mark Rasche, Supervisor
 Engineering Section
 Phone: (502)564-3410, ext. 4804
- j. Applicants proposing water or sewer line extensions must identify areas for service that have a minimum average of six (6) customers per mile. This does not apply to Self-Help Public Facilities projects.

D. **Public Facilities Review Criteria**

In order for a project to be funded, a determination must be made regarding project need, reasonability of costs and overall project effectiveness. To make this determination the following considerations will be applied to each project:

1. **Project Need**
 The applicant must substantiate that the project addresses a need that is significant to the infrastructure needs of the community.
2. **Necessary and Reasonable Expenditure of CDBG Funds**
 The applicant must substantiate that CDBG funding is necessary to meet the identified need(s); the impact of CDBG dollars is maximized and the use of CDBG funds is reasonable when

compared with other funding sources. The state will determine whether all other feasible public and private funding sources have been analyzed and/or applied to the project. In order to assure that funds are committed, funding commitments from public/private funding sources shall be included in the application. The commitments may be contingent on CDBG funding.

3. **Project Effectiveness**

The applicant must substantiate that project accomplishments would be significant given the need, amount of funds requested, local effort and program design.

E. **Project Priority**

Staff review will culminate in projects being placed in one of the following four (4) priorities:

Priority I: Applications in this category have met all program requirements, have project needs and/or benefits which are significant, have a minimum of one-to-one match of other funds and all other funds are firmly committed, engineering design is completed and approved by DOW. Regionalization issues are addressed where feasible.

Priority II: Applications in this category have met all program requirements, have project needs and/or benefits which are moderate or better, have a minimum of one-to-one match of other funds, all other funds may not have been committed and/or engineering design may not have been completed. Regionalization issues are addressed where feasible.

Priority III: Applications in this category have met all program requirements, have project needs and/or benefits which are less acceptable and/or have less than a one to one match. This includes water and sewer line extension projects with costs greater than \$10,000 per customer. Communities with combined current water and sewer rate less than \$36 per month, a current water rate less than \$18 per month or a sewer rate less than \$18 for 4,000 gallons of water use, will be considered a Priority III project. Projects in this category will be held until the final three months of the funding cycle and may be recommended for funding if funds are still available.

Priority IV: Applications in this category may not have met all program requirements and the project is not recommended for funding due to one or more serious deficiencies.

F. **Public Facilities Self-Help Review Criteria**

The total amount for Self-Help projects (which is derived from the Public Facility allocation) will not exceed one million dollars. In order for a Self-Help project to be funded, a determination must be made regarding project need, reasonability of costs and overall project effectiveness. To make this determination, the following considerations will be applied to each project:

1. **Project Need**

The applicant must substantiate that the project addresses a deficiency in public facilities and/or document health and safety needs which affect the community.

2. **Necessary and Reasonable Expenditure of CDBG Funds**

The applicant must substantiate that CDBG funding is necessary to meet the identified need(s), the impact of CDBG dollars is maximized and the use of

CDBG funds are reasonable. Documentation of funding commitment letters from the other funding sources must be included in the application. The other funding commitments may be contingent on CDBG funding.

3. **Project Effectiveness**

The applicant must substantiate that accomplishments would be significant given the need, amount of funds requested, local effort and program design. Communities must demonstrate their commitment of local resources (volunteer labor, all necessary financing, construction equipment, etc.) and the ability to complete the project within 24 months. Projects must be included in and prioritized by the Kentucky Water Management Plan created pursuant to KRS Chapter 151A to receive a grant offer.

G. **Self-Help Project Priority**

Projects will be placed in one of four (4) priorities:

Priority I: Applications in this category have met all program requirements, all other funds are firmly committed and engineering design is completed and approved by DOW. Application exhibits serious Public Facilities needs, maximizes the impact of CDBG funds and substantiates significant project accomplishments. Regionalization issues are addressed where feasible.

Priority II: Applications in this category have met all program requirements, all other funds may not have been committed and/or engineering design may not have been completed. Regionalization issues are addressed where feasible.

Priority III: Applications in this category have met all program requirements; however, project needs and/or benefits are less acceptable. Projects in this category will be held until the final three

months of the funding cycle and could be recommended for funding if funds are still available.

Priority IV: Applications in this category may not have met all program requirements and the project is not recommended for funding due to one or more serious deficiencies.

H. **Project Review Committee**

The staff findings will be submitted to the review committee designated by the Governor. The committee will meet to evaluate projects based on the review criteria and staff comments. The committee will make a determination of approval, rejection or deferral. Projects that do not meet all three of the review criteria will not be funded. In the event that demand exceeds amount of funds available, those projects with the greatest need and effectiveness will be recommended for funding. In some situations, a project may be eligible for partial funding. In such instances, DLG may negotiate with the applicant to ascertain whether the project can be reduced in size or restructured.

I. **Negotiations**

DLG reserves the right to negotiate funding amounts and payment schedules with certain Priority II and III applicants. Negotiations may be appropriate for, but not limited to, situations such as demand exceeding amount of funds available and the existence of project readiness issues. Such negotiations may result in the award of a planning or preconstruction grant with conditional commitment of construction financing in future program years.

SECTION X PUBLIC SERVICES

CDBG Public Services funds, in the form of operational costs to support the Recovery Kentucky Program, will be made available in 2012 to existing and new Recovery Kentucky Substance Abuse Centers. These centers serve individuals who have a history of substance abuse, with an emphasis on the homeless, those at risk of becoming homeless and those referred by the judicial system.

PROJECT SELECTION PROCESS

A. **Submission Dates**

Applications for Public Service projects will be accepted from April 4, 2012, through close of business on February 28, 2013.

B. **Notice of Intent to Apply**

A Notice of Intent to Apply may be submitted as referenced in Section III.

C. **Acceptance of Applications**

1. An original and one (1) copy of the complete and accurate standard Public Services Project Application Form must be submitted.
2. Activities described in the application will be checked to determine if they meet the fundability criteria as established in the Housing and Community Development Act.
3. Project activities must meet one of the three National Objectives as referenced in Section II.
4. The following requirements must be met, documented and submitted with the application:
 - a. The citizen participation requirements must be met as referenced in Section III.
 - b. Authorizing Resolution to submit the project must be included. The Resolution must be signed, dated and attested.
 - c. All funding Commitment Letters; if cash please attach a bank statement, if loan please attach proof of ability to borrow funds. *(if applicable)*
 - d. The eClearinghouse Review must be submitted as referenced in Section III.
 - e. The HUD-2880, Applicant/Recipient Disclosure/Update Report
<http://www.hud.gov/offices/adm/hudclips/handbooks/hsg/4350.2/43502x18HSGH.pdf>.

D. **Public Services Review Criteria**

In order for a project to be funded, a determination must be made regarding project need, reasonability of costs and overall project effectiveness. To make this determination the following considerations will be applied to each project:

1. **Project Need**

The project must substantiate and address a need that is significant to the needs of the community.

2. **Necessary and Reasonable Expenditure of CDBG Funds**

The project must substantiate that CDBG funding is necessary to meet the identified need(s). The impact of CDBG dollars is maximized and the use of CDBG funds is reasonable when compared with other funding sources. The state will determine whether all other feasible public and private funding sources have been analyzed and/or applied to the project. In order to assure that funds are committed, funding commitments from public/private funding sources shall be included in the application. The commitments may be contingent on CDBG funding.

3. **Project Effectiveness**

The project must substantiate that project accomplishments would be significant given the need, amount of funds requested, local effort and program design.

E. **Project Priority**

Staff review will culminate in projects being placed in one of the following three (3) priorities:

Priority I: Applications in this category are seeking for operational funding for an existing Recovery Kentucky Center. Additionally, the applicant has a proven track record in fiscal responsibility and is successfully implementing the Recovery Kentucky program model that includes peer support, daily living skills training, job responsibilities and practical living experiences.

New project applications in this category have met all program requirements and have a Conditional Approval Letter from the Kentucky Housing Corporation (KHC) to construct the facility.

Priority II: Applications in this category are seeking for operational funding for an existing Recovery Kentucky Center. The applicant does not have a proven track record in fiscal responsibility but is successfully implementing the Recovery Kentucky program model that includes peer support, daily living skills training, job responsibilities and practical living experiences.

New project applications in this category have met all program requirements and have submitted a Recovery Kentucky application to the Kentucky Housing Corporation (KHC) to fund construct of a facility.

Priority III: Applications in this category are seeking for operational funding for an existing Recovery Kentucky Center. The applicant does not have a proven track record in fiscal responsibility and is not successfully implementing the Recovery Kentucky program model that includes peer support, daily living skills training, job responsibilities and practical living experiences.

New project applications in this category have neither a conditional approval letter or have submitted an application to Kentucky Housing Corporation (KHC) to construct a facility.

F. **Project Review Committee**

The staff findings will be submitted to the review committee designated by the Governor. The committee will meet to evaluate projects based on the

review criteria and staff comments. The committee will make a determination of approval, rejection or deferral. Projects that do not meet all three of the review criteria will not be funded. In the event that demand exceeds amount of funds available, those projects with the greatest need and effectiveness will be recommended for funding.

In some situations, a project may be eligible for partial funding. In such instances, DLG may negotiate with the applicant to ascertain whether the project can be reduced in size or restructured.

SECTION XI PERFORMANCE MEASUREMENT SYSTEM

A Performance Measurement Outcome System has been established by HUD as a standardized framework to gather information, measure program results and quantify the benefit of these programs to low and moderate income families and communities. The programs that are covered by this framework are:

CDBG (Community Development Block Grant)
HOME (Home Investment Partnership Program)
ESG (Emergency Shelter Grant)
HOPWA (Housing Opportunities for Persons with AIDS Program)

HUD has implemented Performance Measures through the Integrated Disbursement and Information System (IDIS) [prior to the signing of the Grant Agreement]. Recipients must acknowledge that they will be required to submit performance measure information to DLG in order to meet this reporting requirement. As part of this process, each recipient will be required to complete a Performance Measurement Form annually.

There are three main components of the Performance Measurement System: Objectives, Outcomes and Indicators. Each component relates to a project activity. The first step will be for the recipient to select one of three objectives related to the type of activity, funding source and goal/program intent.

Objectives include:

- Suitable Living Environment
- Decent Housing
- Economic Opportunity

The next step will be for the recipient to select an outcome based upon the purpose of the activity.

Outcomes include:

- Improved Availability/Accessibility
- Improved Affordability
- Improved Sustainability

In addition to selecting an objective and outcome for each project activity, certain indicators will be required to be identified and quantified. These indicators vary by program area (CERF, Community Projects/Renaissance, Economic Development, Housing, Microenterprise Development, Public Facilities, and Public Services). Sample Performance Measurement Forms for each of the program areas are included in Appendix E of the CDBG Guidelines. Grantees are encouraged to review the forms when considering overall project design, reporting requirements and implementation. Each grantee will also be responsible for submitting annual performance measure reports to DLG.

PERFORMANCE MEASURES DEFINITIONS

The following definitions should be used when choosing Performance Measure Objectives and Outcomes:

Objectives:

Suitable Living Environment. In general, this objective relates to activities that are designed to benefit communities, families or individuals by addressing issues in their living environment.

Decent Housing. The activities that typically would be found under this objective are designed to cover the wide range of housing possibilities under CDBG. This objective focuses on housing programs where the purpose of the program is to meet individual family or community needs and not programs where housing is an element of a larger effort (such as described above under Suitable Living Environment).

Economic Opportunities. This objective applies to the types of activities related to economic development, commercial revitalization or job creation.

Outcomes:

Availability/Accessibility. This outcome category applies to certain activities that make services, infrastructure, housing or shelter available or accessible to low and moderate income people, including persons with disabilities. In this category, accessibility does not refer only to physical barriers, but also to making the affordable basics of daily living available and accessible to low and moderate income people.

Affordability. This outcome category applies to activities that provide affordability in a variety of ways in the lives of low and moderate income people. It can include the creation and maintenance of affordable housing, basic infrastructure hook-ups or services such as transportation or day care.

Sustainability: Promoting Livable or Viable Communities. This outcome applies to projects where the activity or activities are aimed at improving communities or neighborhoods, helping to make them livable or viable by providing benefit to persons of low and moderate income or by removing or eliminating slums or blighted areas, through multiple activities or services that sustain communities or neighborhoods.

Home Investment Partnerships Program (HOME)

HOME Program and Other Project Resources

The state of Kentucky anticipates an estimated allocation of approximately \$9,932,341 in HOME funds for federal fiscal year 2012. This represents a 39.25% decrease as compared to prior year's funding. The table below details the approximate dollars anticipated to be allocated by differing activities and for set-asides for specific activities.

It is anticipated that approximately \$500,000 of program income and recaptured funds will be returned to KHC. In addition, KHC may use any recaptured and/or uncommitted HOME funds from prior years to fund various housing initiatives.

KHC's match requirement for federal fiscal year 2012 is approximately \$2,483,085.25. Forms of match will include any of the sources permissible under Section 92.220. The primary sources of match will be the state's Affordable Housing Trust Fund and mortgage revenue bonds. Applicants will be required to bring 10 percent matching funds based on the total HOME assistance requested.

Activities

Activities eligible for funding include, but are not limited to:

- Rehabilitation for homeowner, home buyer or rental properties
- Acquisition, including down payment and closing cost assistance
- New construction of rental or home buyer properties
- Tenant-based rental assistance
- Demolition in conjunction with rehabilitation or new construction
- Reconstruction housing
- Adaptive reuse
- Homeless assistance (restricted to housing development activities for transitional or permanent housing)

KHC may undertake additional activities permitted by federal regulation. Assistance may be provided for rental housing or to promote homeownership. Any activity that qualifies under the HOME Final Rule, Sections 24 CFR 92.205-209, may be financed by the state HOME Program, provided it is consistent with the Consolidated Plan and this Action Plan

Distribution Plan

KHC cannot predetermine the use of HOME funds by activity. The amount of funds allocated for each activity will be based on the nature of applications received by KHC, the criteria described in the application process and the extent to which proposals are consistent with the priorities identified in this plan.

KHC will make every attempt to distribute funds geographically, contingent upon overall housing demand.

KHC has estimated the distribution of funds by activity based on anticipated funds. The distribution may change based on actual allocation of funding from HUD. KHC anticipates that fiscal year 2011 funds will be distributed as follows:

Activity	Approximate Allocation
HOME Allocation From HUD (estimated)	9,932,341
Estimated Recaptures/Program Income	500,000
TOTAL Estimated Funds For Distribution	10,432,341
HOME Administration	1,043,234
CHDO Set-Aside	1,489,851
CHDO Operating	500,000
KHC Safe Havens TBRA & Downpayment Assistance Program	1,000,000
Competitive funding for homeownership, rental and TBRA activities	5,649,256
Gap Pool	750,000

KHC will utilize program income, reprogrammed administrative funds and carryover funds from prior years, recaptured funds and matching funds provided by KHC (if any) as necessary to meet the objectives of the state. Additionally, if necessary, KHC reserves the right to adjust funding levels between these activities as determined by KHC.

Eligible Applicants

Eligibility to apply for HOME funds will be no more restrictive than that required by HUD regulations.

Community Housing Development Organizations (CHDOs)

KHC will reserve a minimum of 15 percent of the total amount of HOME funds received for CHDOs. CHDOs apply to KHC to develop, sponsor or own projects and will be eligible to undertake any eligible activity in accordance with 24 CFR Part 92 Subpart G.

Due to the extensive network of nonprofit housing providers in the state, KHC anticipates that the annual participation of CHDOs may exceed 15 percent of total HOME funds.

To apply for funds from the CHDO set-aside, an organization must be designated a CHDO by KHC. KHC does not accept certifications of other participating jurisdictions.

In the past, KHC has partnered with the Homeless and Housing Coalition of Kentucky (HHCK) to provide technical assistance to CHDOs. HHCK created a CHDO resource guide that enables other CHDOs to call upon their colleagues to seek advice in different areas (i.e., volunteer labor, construction crews and financial management). HHCK has also created a forum/list serve for CHDOs to use to gather and share ideas and questions. KHC will continue its relationship with HHCK and the further development of CHDOs.

CHDO Operating Funds

KHC will periodically evaluate the performance of any CHDO wishing to receive CHDO operating funds. CHDO operating funds will be provided on a year-by-year basis provided funds are available and the CHDO has demonstrated acceptable performance. To document its performance and be eligible to receive operating funds, the CHDO must provide semi-annual progress reports. CHDO operating funds are awarded on a yearly basis coinciding with KHC's fiscal year. Draw requests for eligible expenditures may be made on a calendar quarter reimbursement basis.

Additionally, a portion of this year's HOME allocation will be used for CHDO operating expenses.

Homeownership and Rental Activities Application Process

Applications may be submitted for homeownership, tenant-based rental assistance and rental activities. Application submission deadlines for federal fiscal year 2012 will be determined and published. Notification that applications are being accepted will be made via KHC's eGram service.

Applications will be evaluated on the following criteria:

- Performance measures
- Project need/demand
- Financial design and feasibility
- Project design
- Capacity of the development team
- Readiness to proceed

KHC will make every effort to work with applicants and offer technical assistance when completing an application.

After an application is given a conditional commitment of funding, the applicant must submit necessary technical submission items in order to receive a full release of funds.

In the event a recipient has not satisfactorily performed under the terms of the written agreement with KHC or has not initiated a HOME project for which funding was awarded, KHC will not accept subsequent applications.

Plan for determining compliance with the 95 percent median purchase price 92.254(a)(2)(iii):

HUD has limited the maximum purchase price to Section 203(b) mortgage limits in place as of February 2008. KHC further restricts the maximum purchase price limits for all HOME-assisted units to \$150,000, well below 95 percent of the 203(b) limit in order to provide assistance to as many eligible homebuyers as possible.

Other Application Activity Processes

Tenant-Based Rental Assistance

TBRA applications will be accepted through a competitive application process. When a potential recipient submits a TBRA application, they must document the need for the project by agency data such as waiting lists for assistance. Each applicant must also document that there are sufficient units in the area that meet Housing Quality Standards. Applicants must also describe the availability of permanent housing for HOME TBRA participants and how the agency will link participants with sources of affordable permanent housing.

Once an applicant is granted a conditional commitment of funding, they must submit an administrative plan that documents how the applicant will comply with the regulations of 24 CFR 92.211.

Funding of Projects Located in Participating Jurisdictions

KHC anticipates that some HOME funds may be used for eligible activities that are located in Participating Jurisdictions (PJs) through down payment assistance and tenant-based rental assistance programs that serve the state as a whole. Through the competitive application process, KHC will help ensure that the distribution of HOME funds over all will be as equal as possible throughout the state.

KHC In-House Programs

Single Family Homeownership

HOME funds are used to provide down payment, closing costs assistance and principal reduction to assist eligible households purchase a home. Priority is given to households:

- in which at least one member has a disability or households in which at least one home buyer is elderly (age 62 or older)
- to assist single-parent or two-parent households that are first-time home buyers and that have at least one dependent child under the age of 18.

In-House TBRA Program, Including Safe Havens Vouchers

KHC will also utilize HOME funds for its in-house TBRA Program, which is used to assist income-eligible families in one of the following methods:

Provide temporary rental assistance to eligible families affected by emergency events as determined by the governor. These events may include natural disasters, major layoffs of workers and other events that impact the ability of low-income Kentucky families to maintain affordable rental housing.

Provide temporary rental assistance to meet individual family emergencies. These emergencies may include such situations as homelessness prevention, housing persons who are terminally ill, housing persons in spouse abuse/homeless shelters and other emergency situations as determined by KHC staff. The Governor's Office, legislators, nonprofit organizations and KHC staff members may take referrals to this program.

One hundred percent of the units will serve households at or below 60 percent of the area median income, adjusted for size, defined by federal Section 8 income guidelines.

KHC will also use HOME funds to provide TBRA assistance to individuals and families participating in the Safe Havens initiative.

Refinancing Guidelines for Multifamily Housing

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

Home Buyer Resale/Recapture Provisions

HOME Funds are administered by partner agencies located throughout the Commonwealth. These agencies will advise clients prior to committing HOME funds whether the Resale or Recapture Provisions will apply to the specific program from which they are receiving funds.

KHC requires applicants to utilize the recapture provisions for any application that is received through the competitive funding process and KHC's in-house homeownership program. The HOME Funding Agreement, which is executed with each recipient agency, contains the following language.

Recapture Provisions –

All entities receiving an allocation of HOME funds to undertake homebuyer activities will be required to utilize the recapture provision required by 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 written agreement with the homebuyer, mortgage documents, and lien documents. In the event the homebuyer transfers the property, either voluntarily or involuntarily, during the period of affordability, the Kentucky Housing Corporation (KHC) or the Recipient Agency recaptures from available net proceeds, all or a portion of the ‘direct’ HOME assistance provided to the homebuyer. The portion recaptured by the KHC or the Recipient Agency will be a pro-rata amount determined as follows:

- Divide the number of years the homebuyer occupied the home by the period of affordability.
- Multiply the resulting figure by the total amount of direct HOME subsidy originally provided to the homebuyer.

$$\frac{\text{Number of years homebuyer occupied home}}{\text{Period of Affordability}} \times \text{total direct HOME subsidy}$$

This equals the “Recapture Amount.”

HOME Investment Per Unit	Minimum Length of Affordability Period
Less than \$15,000	5 years
\$15,001 to \$40,000	10 years
More than \$40,000	15 years

Recipients of HOME funds have the ability to structure their affordability periods for a longer period of time, but no less than the minimum length defined above.

Recapture Example:

Ms. Mary Smith (End Beneficiary) purchases a home for \$105,000 in June of 2011 and received \$20,000 in HOME funded HOME assistance from XYZ non-profit (who is the recipient of the HOME funds for KHC). Ms. Smith sells the house in August of 2016, after the fifth year of affordability. As a result, fifty percent 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.

Tenant-Based Rental Assistance

As described in the Consolidated Plan, needs data indicate a large percentage of low-income households in Kentucky are unable to afford rental housing. A large percentage of these families are either moderately or severely cost burdened. In addition, special needs populations in Kentucky are also cost-burdened and need rental assistance. Due to these needs as described in the Consolidated Plan, a portion of HOME funds will be made available for TBRA activities.

Data pertaining to high cost burden and lack of affordable housing units is located beginning on page 26 of the Five Year Plan. Information on page 69 of the Five Year Plan indicates that the average waiting list for public housing in Kentucky is six months. This data was obtained from CHAS data provided by HUD and on HUD's public housing information website. In addition, during the consultation process for the Five Year and Annual Plans, general housing needs as they are ranked by information received from surveys, public forums and input from housing providers and the general public indicate there is a lack of affordable rental housing, problems finding decent housing if a voucher is obtained and a continued lack of transitional housing and housing for persons with disabilities.

TBRA is used to serve the most difficult populations with low incomes who may need the assistance as transitional assistance until a HCV is available or other housing opportunities become available. KHC has chosen to use the TBRA program along a continuum of housing assistance to serve these underserved populations and help them access affordable housing through rental assistance, both through competitive applications for funding and through its in-house programs.

KHC continues to provide TBRA in two ways in its in-house programs. First, TBRA is used to assist special populations as the Safe Havens program, which focuses on domestic violence victims, homeless families with children and homeless individuals suffering with severe and persistent mental illness. However, KHC is not accepting new clients for this program and a majority of the day-to-day administration of these clients is being handled by sub-recipients throughout the state.

Safe Havens provides housing vouchers to eligible participants and couples housing with a combination of case management services. Case management focuses on assisting participants with goals to reach self-sufficiency, tailored to the individual. During the transitional housing phase, participants are placed on HCV waiting lists through KHC and other partnering PHAs to help obtain permanent housing. Second, KHC uses TBRA for an emergency housing program which targets homeless elderly populations, victims of natural disasters, or homeless individuals. Eligible participants must live in KHC's Section 8

housing choice voucher jurisdiction. This emergency program, too, provides housing vouchers so that eligible households can find more affordable housing. Participants in this program also are placed on KHC's Section 8 HCV waiting list.

Both programs operate very similar from a housing assistance perspective. They provide ample time for participants to find housing which qualifies with maximum gross rents and rent comparison studies. Identified housing units must pass an HQS Inspection, which ensures that housing is safe and decent.

KHC notifies all staff and providers through eGrams and/or emails when the emergency housing program is available. Some vouchers are saved for federal or state disasters, such as floods. In these events, the local and state officials are made aware of the availability of emergency housing assistance.

Forms of Investment

KHC will invest HOME funds as interest-bearing loans or advances, non-interest bearing loans or advances, interest subsidies, deferred payment loans and forgivable loans and grants. Assistance may be provided to private developers, nonprofit organizations, CHDOs and governmental agencies.

An applicant that proposes to use any other form of investment not described in 24 CFR 92.205 must provide the following when submitting an application:

- A description of the form of investment.
- Justification for the need for the form of investment.
- A description of the proposed means of securing the investment, if any.

KHC will not permit other forms of investment without prior HUD approval.

Affordability

KHC has imposed a maximum subsidy cap of \$40,000 per unit for homeownership activities. However, KHC reserves the right to allow subrecipients to exceed this maximum with prior written approval. All HOME funds used for homeownership activities will be required at a minimum to meet the HOME affordability period as established in 24 Part 92.254. Additional guidance on maximum subsidy cap and affordability periods will be detailed in the Homeownership Application Guidelines and Scoring Criteria.

At a minimum, the period of affordability for rental housing rehabilitation, acquisition or existing housing is five years for HOME assistance under \$15,000 per unit; ten years for HOME assistance \$15,000 to \$40,000 per unit; and 15 years for HOME assistance over \$40,000 per unit (if applicable).

All rental housing involving new construction or acquisition of newly constructed housing must meet a minimum affordability period of 20 years.

Affirmative Marketing Policy

Each applicant of HOME funds for five or more home buyer or rental units must submit an affirmative marketing plan prior to receiving a formal award of funds. Furthermore, recipients of HOME funds are required to submit to KHC annually a report on their affirmative marketing plan. This annual report is due for as long as the project is active, i.e., drawing funds. In addition, HOME rental projects must submit this report for the duration of the affordability period

Minority/Women's Business Outreach

Each recipient of HOME funds is required to submit a report for each assisted unit that details if the services of a minority- and/or women-owned business were used. This information also notes the amount of the construction contract with that entity.

For the past several years, KHC has cosponsored the Lexington Bluegrass Area Minority and Women Contractor Training Program. The program is coordinated through the Small and Minority Business Division of the Kentucky Cabinet for Economic Development. Throughout the 16-week course, minority- and women-owned businesses are provided the knowledge they need to compete and be successful in the marketplace. Contact information for those businesses is provided to all KHC recipients.

Emergency Shelter Grant Program (ESG)

Summary of Consultation Process

KHC, as the lead agency for the Balance of State Continuum of Care (COC), has a unique opportunity and ability to reach out to members of the COC in order to obtain feedback and guidance. Through regional COC meetings, information is routinely shared on the progress of both the updates to the Action Plans (2011 and 2012) and the anticipated timeline for the allocation of the Emergency Solutions Grant funds. COC Webinars held in January and March of 2012 gave KHC ESG staff an opportunity to present information about the plans and to field questions from COC partner agencies on the potential roll-out of the funding.

In addition to the webinars, KHC uses an external advisory group in guiding the decisions affecting the COC. At meetings held in February and March of 2012, KHC COC leadership staff presented the group with the Emergency Solutions Grant guidelines and specifically discussed the need for direction on developing performance measures and the application process for the 2012 competitive allocation.

The external advisory group, made up of 12 agency representatives from across the state and of a cross-section of homeless and special needs service

providers, will continue to be a pivotal link to the COC and the larger services community. It is anticipated that the group will convene in person or via phone call eight to ten times annually with the goals of providing guidance on implementing the new HEARTH Act rules, analyzing system performance and recommending funding mechanisms that allow for the best service delivery across the state and across populations.

KHC also communicates very often with partners via the Specialized Housing eGram service. Currently, more than 1,300 people subscribe to this service for periodic messages on ESG and other programs. KHC often uses this tool to invite comments on various programs and policies.

Funding Priorities

KHC will be following the HUD recommendations to aggressively fund Rapid ReHousing activities using Emergency Solutions Grant funds. KHC has designated that a minimum of 36% will be dedicated to Rapid ReHousing activities with the remaining 64% available to be used for other eligible activities under Street Outreach, Shelter Activities, Homeless Prevention, HMIS and Administration.

In an effort to reduce the time that families and individuals remain homeless and shorten the length of stay in the homeless system, it is important to dedicate the resources necessary to achieve those outcomes. By dedicating a large amount of funds to the Rapid ReHousing component, agencies receiving the funds will be able to target the assistance to those clients with the greatest need.

While many communities have traditionally seen great success in utilizing homeless emergency shelters and with homeless prevention programs, there will still be some funds available for use on those activities as well as a small portion expected to be used for HMIS expenses and administrative costs.

Detailed Budget

Based on the funding priorities as described above for Rapid Re-Housing and Shelter Activities, it is anticipated that the FY 2012 allocation will be similar to the table below.

Component	Anticipated Funding Level
Street Outreach/Shelter Activities	1,098,918
Prevention	225,000
Rapid Re-Housing	913,051
HMIS	62,138
Admin	186,414
Total	2,485,521

Process for Making Sub-Awards

KHC will make ESG funds available to eligible non-profits and local governments from the 118 counties in Kentucky that do not receive ESG allocations as entitlement areas. Funds will be awarded using a competitive application process where applicants will be evaluated on such areas as: local needs, applicant experience/capacity and project design.

Applications will be ranked based on score and allocations will be made based on applicant ranking and overall request. Because funding priorities have been established for Shelter Activities and Rapid Re-housing, KHC reserves the right to fund portions of an applicant's request.

All funds will be obligated to sub-grantees within 60 days of the date that the grant agreement is executed with the U.S. Department of Housing and Urban Development.

Written Standards

- 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.

Consultation. Sub-recipients must demonstrate through a written document approved by the Continuum of Care (COC) that the award is allocated according to the COC established priorities and policies (percentage use for clients stabilization needs, percentage use for staff salaries, etc). In addition, to demonstrate program performance, the sub-recipient must provide a monthly report card for data completeness and an annual progress report through HMIS (or a comparable database for qualifying sub-recipients).

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.

To ensure consistency in providing assistance, each sub-recipient must follow the program component guidelines regarding:

- *Compliance* - All eligibility determination for individuals and families must be based upon HUD definition of *At Risk of Homelessness* or *Homeless* (576.2). All eligibility must be documented according to policies and procedures as defined and established by HUD at 576.500.
- *Consistency* - All intake processes including assessment, screening, and referrals must have been centralized or coordinated to ensure consistency and accuracy. Sub-recipients will document and file all written coordinated assessments to comply with HUD requirements for area-wide systems coordination (Section 576.400 - e).
- *Long-term housing stabilization* - All outreach, emergency shelter assistance, prevention and housing must ensure that eligible individuals or families have a plan for stabilization and a long-term housing solution. The case plan must be written and consistent with the COC's priorities along with a coordinated process that leads to quick transition to permanent housing. The plan will include:
 - Amount of rent (based upon the eligible individual or family income and must not exceed 30 percent of the household's monthly income)
 - Utility costs (based upon the frequency of assistance within a time frame established by existing policies)
 - Length of stay (for a quick transition to stable and permanent housing, eligible individual or family must reside for the shortest possible period (but no more than 24 months) in a sheltered setting that includes both emergency and transitional housing)
 - Recertification and rent adjustments (to ensure long-term housing stabilization, eligible individual or family must demonstrate gained income at end of the stabilization phase; where applicable, eligible

individual or family will secure public assistance benefits. Sub-recipient will implement agency policies and procedures to determine appropriate and consistent rental recertification and adjustments.

- *Habitability* - As a best practice, KHC recommends Housing Quality Standards (HQS) inspections. However, habitability inspection is required at a minimum. In addition, sub-recipients must ensure that available housing is safe and secure for households with special needs. Sub-recipients must comply with all federal requirements as defined in *576.403 Shelter and housing standards*, as applicable.
 - *HMIS* - 100 percent data accuracy percentage and/or zero errors on all applicable reports submissions. Accurate and complete Annual Performance Report. Quarterly Point-In-Time date bed coverage data, resulting in bed coverage that is above 65 percent and less than 105 percent as per HUD standards. Victim Service Provider will use comparable database and will produce unduplicated aggregate data.
- 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 homelessness prevention

Rental application fees. Must be based on the sub-recipient's written policies and must be in compliance with HUD requirements. All rental application fee assistance to eligible individuals 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 two 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 the sub-recipient's written policies and must be in compliance with HUD requirements. When last month's rent assistance is provided, it must not exceed one month of FMR-based rent, appropriately documented and must have been calculated in the program participant's total rental assistance which cannot exceed three months during any 24-month 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 more than three months within any 24-month period. *See 576.105 (4).*

Utility Payments. Must be in compliance with HUD requirements. All utility payments to determined eligible program participant shall not exceed more than three months within any 24-month period. Eligible utility services include gas, electric, water and sewage. *See 576.105 (5).*

Moving Costs. Must be in compliance with HUD requirements. All moving costs must be executed with consistency based upon the sub-recipient's written and documented policies. Eligible moving costs are truck rental, hiring a moving company, etc. In the case of the payment of temporary storage fees, no more than three months' payments are allowed. Eligible participants must have

accrued the determined fees after the date of entry in the program and before entry in permanent housing. Payment of arrearages is not an eligible expense.

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 services cannot exceed 30 days. If the program participant is living in permanent housing, any housing stability case management activity cannot exceed 24 months.

To evaluate individuals and families applying for or receiving homelessness prevention or rapid re-housing assistance, sub-recipients must use the centralized or coordinated assessment system (see 576.400(d)). Sub-recipients must include in all required initial evaluation (576.401(a)) a verification of eligibility of all individuals and families applying for homelessness prevention or rapid re-housing. All verification must be appropriately documented.

Other activities include counseling, developing, securing, coordinating and obtaining Federal, State and local benefits. Sub-recipients must also establish a system for monitoring and evaluating program participant progress. In addition, sub-recipients must establish a process for information sharing and referrals, developing an individualized housing and service plan for obtaining permanent housing and stability and a plan for conducting re-evaluation. (See 576.4019(b)).

Mediation. Sub-recipients must establish written policies and procedures that state clearly the terms of the mediation and all parties involved (program participant and the landlord). All documentations must establish that mediation was made necessary to prevent the loss of permanent housing in which the program participant resides and/or is the current lease holder.

Legal services. Sub-recipients must establish written policies and procedures that state clearly the terms of the legal services. All documentation must establish that the services were made necessary to resolve legal issues that prohibit the program participant from obtaining permanent housing or prevent the loss of permanent housing in which the program participant resides.

Credit repair. Sub-recipients must establish written policies and procedures based upon HUD's requirements. All documentation must establish that the services were made necessary to assist program participants to build critical skills related to budgeting, money management, accessing a free personal credit report and resolving legal issues that prohibit the program participant from obtaining permanent housing or prevent the loss of permanent housing in which the program participant resides. Debt payment and debt modification are not eligible services.

Housing relocation and stabilization services for 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

ESG Program Components

- A. Street Outreach
- B. Emergency Shelter Activities
- C. Homelessness Prevention
- D. Rapid Re-housing
- E. HMIS

Performance Standards to be used under each ESG Program Component:

- A. Street Outreach
 - Housing Status at Entry and Exit

- B. Emergency Shelter Activities
 - Length of Stay
 - Income at Entry and Exit
 - Destination at Exit
 - Recidivism

- C. Homelessness Prevention
 - Housing Status at Entry and Exit
 - Destination at Exit
 - Income at Entry and Exit
 - Employment at Entry and Exit
 - Type Rental Assistance (short/long term)
 - Rate of Recidivism

- D. Emergency Shelter Activities Rapid Re-housing
 - Housing Status at Entry and Exit
 - Destination at Exit
 - Rate of Recidivism
 - Type of Rental Assistance (short/long term)
 - Income at Entry and Exit
 - Employment at Entry and Exit

- E. HMIS
 - Data Completeness

Housing Opportunities for Persons with Aids (HOPWA)

The following annual program activity goals have been established for the following HOPWA activities:

Number of Households to be provided short-term rent, mortgage and utility assistance payments	299
Number of households to be provided tenant-based rental assistance	41
Number of units provided in housing facilities that are being developed, leased or operated with HOPWA funds	0

KHC will continue to provide funding for the five Care Coordinator regions within the balance of state.

These regions are:

- Barren River Region
- Cumberland Valley Region
- Lexington region
- Northern Kentucky Region
- Purchase Region

KHC will distribute the funds for the HOPWA formula funds based on the number of reported cases of HIV/AIDS to the Department for Public Health's HIV/AIDS Surveillance Program in each of the five Care Coordinator regions.

Beginning with the 2007 allocation, applications for HOPWA funds were submitted by eligible applicants on a three-year renewable funding cycle. Applications were submitted in 2010 for the three-year cycle and funding requests will be accepted again in 2013 for applicants within the five care coordinator regions.

Adjustments in the contract amounts will be made each year to reflect changes in the percentage of AIDS cases in each region.

OTHER NARRATIVES AND ATTACHMENTS

MONITORING

KHC's Compliance Department is responsible for conducting monitoring review visits on completed HOME projects. KHC reserves the right to conduct a compliance review at any time during the term of the HOME grant. KHC performs additional monitoring of HOME rental projects every one, two or three years based on the number of units in the project.

This review covers four major areas:

- Quality of housing and service
- Financial statement
- Recordkeeping and files
- Adherence to program policies and procedures as detailed in 24 CFR Part 92

After the monitoring review, subrecipients receive a written response to any issues discovered during the review. These issues will be divided into findings (issues which affect program regulations or federal laws) and observations (issues which do not). Subrecipients must respond in writing to all finding within a specified time frame.

Multifamily projects funded with HOME funds are required to submit annual reports throughout the term of affordability. HOME recipients area also required

to submit copies of their audited financial statements, conducted in accordance with the Single Audit Act, if they expend more than \$500,000 of federal funds in a fiscal year.

KHC's Compliance Department is responsible for conducting monitoring review visits on closed out HOPWA projects. However, KHC reserves the right to conduct a compliance review at any time during the term of the HOPWA grant.

This review covers four major areas:

- Quality of housing and service
- Financial statement
- Recordkeeping and files
- Adherence to program policies and procedures

After the monitoring review, sub-recipients receive a written response to any issues discussed during the review. These issues will be divided into findings (issues which affect program regulations or federal laws) and observations (issues which do not). Sub-recipients must respond in writing to all finding within 30 days.

The SHR department has developed training materials for HOPWA sub-recipients and coordinates training on special topics as needed.

Each year, recipients of HOPWA funding are required to submit annual reports. They must also submit a copy of their annual report audit (if required) to the Audit staff. In addition to the formal compliance monitoring requirements, KHC program staff overseeing the HOPWA funds will also conduct on-site technical assistance visits to sub-grantees. This will allow for one-on-one training of agency staff as well as allow KHC program staff to do a preliminary review of program policies and expenditures. As a second phase to the on-site technical assistance to the agencies, KHC HOPWA staff will also conduct random desk reviews of expenditure documentation prior to releasing requested funds. All sub-grantees will have a minimum of one visit and one desk review during the term of their grant; however, KHC reserves the right to perform additional reviews of any program if concerns exist.

KHC's Compliance Department is responsible for conducting monitoring review visits on closed out ESG projects. However, KHC reserves the right to conduct a compliance review at any time during the term of the ESG grant.

This review covers four major areas:

- Quality of housing and service
- Financial statement
- Recordkeeping and files

- Adherence to program policies and procedures

After the monitoring review, subrecipients receive a written response to any issues discussed during the review. These issues will be divided into findings (issues which affect program regulations or federal laws) and observations (issues which do not). Subrecipients must respond in writing to all finding within 30 days.

The SHR department has developed training manuals for ESG subrecipients and holds day-long training on the requirements of the programs after funding notifications. The SHR department also coordinates training on special topics as needed.

Each year, recipients of ESG funding are required to submit annual reports. They must also submit a copy of their annual report audit (if required) to the Audit staff. In addition to the formal compliance monitoring requirements, KHC program staff overseeing the ESG funds will also conduct on-site technical assistance visits to sub-grantees. This will allow for one-on-one training of agency staff as well as allow KHC program staff to do a preliminary review of program policies and expenditures. As a second phase to the on-site technical assistance to the agencies, KHC ESG staff will also conduct random desk reviews of expenditure documentation prior to releasing requested funds. All sub-grantees will have a minimum of one visit and one desk review during the term of their grant; however, KHC reserves the right to perform additional reviews of any program if concerns exist.

The KHC Compliance Department has dedicated two HPRP Compliance Officers (one Lead & one Assistant) and one ESG Compliance Officer to ensure program compliance with the Interim rule that introduces substantial changes to the activities and procedures required of ESG sub-recipients. With the announcement of HPRP “like” activities being added to the new ESG, both HPRP and ESG Compliance Department staff have been trained in the new guidelines and are actively preparing for the conversion. In addition, the KHC Compliance Department has developed detailed work-papers and tools for both HPRP and ESG programs. These work-papers and tools will be combined according to the Interim Rule changes. KHC will continue the risk analysis with the New ESG as it does with the other programs monitored. File selection and sampling will be made using a random selection method with additional files selected in order to include files from each staff person working the program and/or when indicated by the severity or nature of any problems uncovered during a review of the initial selection.

DLG is responsible for conducting monitoring review visits on funded CDBG projects. DLG reserves the right to conduct a compliance review at any time during the term of the CDBG grant. The depth and location of the monitoring will

depend upon which compliance areas need to be reviewed at that particular point in a project's life cycle. However, a full scope monitoring of all compliance areas will be conducted at least once for each funded activity. The monitoring review includes acquisition and relocation (if applicable), environmental, contracts, labor standards, fair housing compliance, and financial review.

After the monitoring review, grantees receive a written response to any issues discussed during the review. These issues will be divided into findings (issues which affect program regulations or federal laws) and recommendations (issues which do not). Grantees must respond in writing to all findings within a specified time frame.

CDBG recipients are also required to submit copies of their audited financial statements, conducted in accordance with the Single Audit Act, if they expend more than \$500,000 of federal funds in a fiscal year.

CERTIFICATIONS AND FORMS SF 424

Documents begin on the next page.