

**Commonwealth of Kentucky
2011
Consolidated Annual Action Plan**

July 1, 2011 – June 30, 2012

AMENDED JUNE 10, 2011

COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM

HOME INVESTMENT PARTNERSHIPS PROGRAM

EMERGENCY SHELTER GRANT PROGRAM

HOUSING OPPORTUNITIES FOR PERSONS WITH AIDS PROGRAM

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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, 2011 to June 30, 2012. 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 2011 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 and other funds from the Department of Energy will be used to make homes more energy efficient.

Multifamily rental property developments that have been unable to proceed with construction and rehabilitation will be completed due to additional funding under the American Recovery and Reinvestment Act. 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.

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, 2011 to June 30, 2012) will be reported in the CAPER submitted to HUD by September 29, 2012. 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 January 22, 2011. Although the hearing was required to be advertised a minimum of 14 days in advance of the date, KHC advertised the hearing approximately 45 days prior to the date. This was done to consolidate advertising costs for a substantial amendment to the existing Action Plan, to allow for adequate citizen notification of the Public Housing Agency Plan hearing which was held at the same time and to allow citizens and other interested parties adequate time to plan to attend the hearing.

The hearing was widely publicized through the use of direct electronic mail notification to more than 15,000 subscribers, Web announcements 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. One person attended the hearing and requested clarification on using CDBG funds for Individual Development Accounts, using HOME for TBRA and asked if victims of domestic violence received a preference under the Housing Choice Voucher Program.

In addition, this Action Plan was made available for written comment from April 1 through April 30, 2011 following the same advertising and public notice protocols as for the hearing. This Action Plan was amended in June 2011 to reflect final funding amounts. In keeping with the Citizen Participation Plan, the revised Action Plan was advertised for public written comment from June 17 to July 18, 2011.

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:

David Kreher, People's Self-Help Housing commented that it would be helpful to see the detail for TBRA use of HOME funds divided out to indicate the funds being utilized for KHC in-house programs, Safe Havens and competitive applications rather than stated as a single number. He also noted the need for clarification in the CHDO funds section of the HOME program plan. Mr. Kreher stated that KHC does a great job on the Action Plan.

During the public comment period for the revised Action Plan, the following comments were received:

RESERVED FOR PUBLIC COMMENT

The following comments were not accepted:

There were no public comments that were not accepted.

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.

Funding under the four block grant programs covered by this plan is estimated based upon information available at the time the plan is being submitted to HUD.

Estimated Funds:

FY 2011 Funds	Program Name
\$24,941,284	Community Development Block Grant Program
24,940,755	
16,440,214	HOME Investment Partnerships Program
16,354,959	
1,926,043	Emergency Shelter Grant Program
1,386,238	
501,578	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)

Program	Description/Funding Source	Agency
* CDBG-R Disaster Recovery Grant Funds (F)	Funding of necessary expenses for disaster recovery in presidentially-declared disaster counties	DLG
* Hardest Hit Funds (F)	2008 TARP funding from the U.S. Treasury for Kentucky's Unemployment Bridge Program, used to assist eligible unemployed homeowners with mortgage payments	KHC
* 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
* Kentucky Home Performance (F/N)	2009 ARRA funds allocated from the Kentucky Energy Cabinet matched with KHC funding utilized for the financing of energy retrofits to single family homes and rebates for appliances and training	KHC

Program	Description/Funding Source	Agency
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

Program	Description/Funding Source	Agency
* 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)	2009 ARRA funding from the U.S. Department of Energy for the weatherization of income-eligible single family and multifamily housing units.	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

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.

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. New 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.

Multifamily rental property developments that have been unable to proceed with construction and rehabilitation will be completed due to additional funding under the American Recovery and Reinvestment Act and Troubled Asset Relief Program. 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	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				

PROGRAM ACTIVITIES	CDBG	HOME	ESG	HOPWA
Operating or Administrative		X	X	X
Essential Supportive Services			X	X
Homeless Prevention			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 Specific Annual Objectives	Sources of Funds	Performance Indicators	Program Year	Expected Number	Actual Number	Percent Completed
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		
				2011	710		
				2012	710		
				2013	710		
				2014	710		
			MULTI-YEAR GOAL		3,524		
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		
				2011	240		
				2012	240		
				2013	240		
				2014	240		
			MULTI-YEAR GOAL		1,200		
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		
				2011	575		
				2012	575		
				2013	575		
				2014	575		
			MULTI-YEAR GOAL		2,875		
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		
				2011	30		
				2012	30		
				2013	30		
				2014	30		
			MULTI-YEAR GOAL		160		

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		
				2011	100		
				2012	100		
				2013	100		
				2014	100		
			MULTI-YEAR GOAL		650		
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		
				2011	5		
				2012	5		
				2013	5		
				2014	5		
			MULTI-YEAR GOAL		25		
DH-2.6	Address the need for affordable decent housing by offering homeowner housing development	HOME	Number of units	2010	60		
				2011	60		
				2012	70		
				2013	70		
				2014	70		
			MULTI-YEAR GOAL		330		
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		
				2011	70		
				2012	70		
				2013	70		
				2014	70		
			MULTI-YEAR GOAL		350		

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		
				2011	9,600		
				2012	9,600		
				2013	9,600		
				2014	9,600		
				MULTI-YEAR GOAL	48,000		
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	Number of loans/grants New businesses assisted Existing business assisted Jobs created/retained	2010	7		
				2011	7		
				2012	7		
				2013	7		
				2014	7		
				MULTI-YEAR GOAL	35		
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		
				2011	15		
				2012	15		
				2013	15		
				2014	15		
				MULTI-YEAR GOAL	78		

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	1-5%
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	55		<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>		<input type="checkbox"/>
Rehabilitation of existing	55		<input 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	900		<input type="checkbox"/>	<input checked="" type="checkbox"/>		<input checked="" type="checkbox"/>
Total Sec. 215 Affordable Rental	1,015		<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
ANNUAL AFFORDABLE OWNER HOUSING GOALS (SEC. 215)						
Acquisition of existing units			<input type="checkbox"/>	<input type="checkbox"/>		
Production of new units	60		<input type="checkbox"/>	<input checked="" type="checkbox"/>		
Rehabilitation of existing units	130		<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>		
Homebuyer Assistance	600		<input type="checkbox"/>	<input checked="" type="checkbox"/>		<input type="checkbox"/>
Total Sec. 215 Affordable Owner	790		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
ANNUAL AFFORDABLE HOUSING GOALS (SEC. 215)						
Acquisition of existing units	5		<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>		<input type="checkbox"/>
Production of new units	185		<input type="checkbox"/>	<input checked="" type="checkbox"/>		<input type="checkbox"/>
Rehabilitation of existing units	255		<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Homebuyer Assistance	600		<input type="checkbox"/>	<input checked="" type="checkbox"/>		<input checked="" type="checkbox"/>
Total Sec. 215 Affordable Housing	1,045		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
ANNUAL AFFORDABLE HOUSING GOALS (SEC.215)						
Homeless households	9,600		<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	1,015		<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Annual Owner Housing Goal	790		<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Total Annual Housing Goal	1,805		<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 include 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 Homeless Prevention and Rapid ReHousing Program, funded by HUD with 2009 ARRA funds will still be in operation through this fiscal year as funds remain available.
- 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 new 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. Three of the funded projects have been completed and the remaining 10 are under way.

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 2011 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 works 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, the number of private developers utilizing HOME funds to provide homeownership opportunities has increased during recent years.

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 Develop 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 2011 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 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.

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

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

d. 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 2011 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	
2009-2010	80% of the grant funds expended, program income reports approved and audit requirements met prior to Application Submission
2008 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	
2008 and earlier	Final closeout issued or Notice of Completion issued, program income reports approved and audit requirements met to date

- c. 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 2011 Allocation <i>(estimate)</i>	\$24,940,755	24,941,284
Less Administrative Costs (3% + \$100,000)		848,223
Total Amount for Distribution	\$24,092,532	24,093,046

Program Areas	Total Dollars Available
Public Facilities	\$7,000,000
Economic Development	6,900,000
Housing	3,700,000
Community Projects/Renaissance	4,000,000
Public Services (Recovery Kentucky)	2,050,000
Community Emergency Relief Fund	342,532343,046
Microenterprise	100,000

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. Grant Ceilings

Grant Ceilings	Individual	Multi-Jurisdiction
Economic Development		
Traditional	\$ 1,000,000	\$2,000,000
Non-Traditional	250,000	500,000
Microenterprise Development	50,000	100,000
Public Facilities	1,000,000	2,000,000
Self-Help Housing	250,000	500,000
Community Projects/ Renaissance	500,000	
Community Emergency Relief Fund	100,000	
Public Services (Recovery Kentucky)		
Existing Facilities	250,000	
New Facilities	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:
 - i. Distribute leaflets at neighborhood groceries, churches and community centers.
 - ii. Undertake door-to-door distribution announcements.
 - d. Provide radio (and television if available) public service announcements for broadcast.
 - e. 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.
 - f. 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.
 - g. Arrange for interpreters for non-English speaking persons if applicable.
 - h. 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.
 - i. Indicate comments were considered.
 - ii. Cite reasons for rejection if applicable.
 - iii. 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 2011 CDBG funding are 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>). This form is not to be confused with the previously used CDBG Presubmission form which is no longer applicable to the CDBG application process. The Notice of Intent to Apply may be submitted at any time 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 2011 Application Forms

Standard 2011 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 2011 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

All 2011 applications, with the exception of Economic Development and CERF, not funded by June 30, 2012, are null and void.

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 2011 monies that have not been obligated to a particular grantee by February 29, 2012. These funds can be from all program areas. If FY 2011 undistributed funds remain on February 29, 2012, those funds will be pooled (at this time, these undistributed funds may be obligated for use in other program areas for remaining 2011 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 2011 CDBG program year from the 1998 through 2011 CDBG program. These funds can be from any program area. Any CDBG funds recaptured during the 2011 CDBG program year may be allocated to one or more program areas based on need.

3. Reallocated Funds

Reallocated funds are those monies recaptured by HUD. Any CDBG funds reallocated by HUD during the 2011 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 1, 2011, through close of business on February 29, 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 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/rdonlyres/D685629E-8666-4101-A6BC5752B5E6E1E/0/CERFprojectsumarysheet112310final.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/hsgh/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:

Solitha Dharman, 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:

1. Project Need

The project must substantiate and address a need that is significant to 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 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 1, 2011, through close of business on October 3, 2011.

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/hsgh/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:

Solitha Dharman, 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 1, 2011, through close of business on February 29, 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. 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/4350.2/43502x_18HSGH.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 (1) year of the submission of the submission requirements.

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 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 1, 2011, through close of business on October 3, 2011.

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/rdonlyres/CE4B9E1D-B4E4-42E0-A819-53B1D0CA19E7/0/DetailedHousingCostEstimate.xls>
 - b. The Homeowners List.
<http://www.dlg.ky.gov/NR/rdonlyres/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/hsgh/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 1, 2011, through close of business on October 3, 2011.

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 VIII PUBLIC FACILITIES

PROJECT SELECTION PROCESS

A. Submission Dates

Applications for Public Facility projects will be accepted from April 1, 2011, through close of business on October 3, 2011.

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 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) 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: Solitha Dharman, 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 IX **PUBLIC SERVICES**

CDBG Public Services funds, in the form of operational costs to support the Recovery Kentucky Program, will be made available in 2011 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 1, 2011, through close of business on February 29, 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 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
 - f. <http://www.hud.gov/offices/adm/hudclips/handbooks/hsgh/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 X 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 \$16,440,214 in HOME funds for federal fiscal year 2011. 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 2011 is approximately \$4,110,054. 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)	\$16,440,214 <u>16,354,959</u>
Estimated Recaptures/Program Income	500,000
TOTAL Estimated Funds For Distribution	<u>16,940,214</u> <u>16,854,959</u>
HOME Administration	<u>1,644,000</u> <u>1,635,496</u>
CHDO Set-Aside	<u>2,466,214</u> <u>2,453,244</u>
CHDO Operating	700,000
KHC Safe Havens TBRA & Downpayment Assistance Program	<u>317,000</u> <u>316,886</u>
Competitive funding for homeownership, rental and TBRA activities	<u>10,813,000</u> <u>10,749,333</u>
Gap Pool	1,000,000

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.

KHC will be working during this year to establish performance measures for 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 quarterly progress reports (or semi-annual progress reports at the discretion of KHC). 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 2011 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. The minimum Single Family Mortgage Limits under 203(b) of the National Affordable Housing Act for the Commonwealth of Kentucky is \$271,050 - 95 percent of this amount is \$257,497. KHCentucky Housing Corporation 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 –

Recapture provisions are used to ensure that KHC or the Recipient recoups all or a portion of the HOME assistance to the End Beneficiary, if the housing does not continue to be the principal residence of the End Beneficiary for the duration of the period of affordability.

Recipient may reduce the amount of HOME investment on a prorated basis for the time the End Beneficiary has owned and occupied the housing measured against the required affordability period.

For homebuyer units assisted with HOME funds the length of the Affordability period depends on the amount of the HOME Investment in the property.

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.

KHC requires applicants to utilize the resale provisions for any application that is received through the GAP Pool. The HOME Funding Agreement, which is executed with each recipient agency, contains the following language:

Gap Pool projects are required to utilize a recorded deed restriction that requires principle residency, and incorporates the Fair Return on Investment, income restrictions and affordability period language.

Required Deed Restriction Language

In consideration of the Seller, on behalf of the U.S. Department of Urban Development and the Kentucky Housing Corporation, for making HOME Investment Partnership Program Funds or Affordable Housing Trust Fund dollars available to the buyer for purchase, construction or rehabilitation of housing located on the property described herein, covenants that 100% of the dwelling unit constructed on the property described herein shall be maintained as principle residence for low-income persons or families which shall be defined as families, elderly or handicapped individuals with annual gross incomes at or below eighty percent (80%) of the area median income defined by the U.S. Department of Housing and Urban Development ('HUD") Section 8 Income Guidelines.

FAIR RETURN ON INVESTMENT. Upon a subsequent sale of this property, the Buyer is entitled to a fair return on their original investment at the time of sale. The future sales price of the unit is restricted to an amount that will ensure the subsequent-buyer can afford the property at the applicable income range as described above and the buyer receives a maximum of 5% percent return on their original investment and capital improvement made hereto.

ENFORCEMENT. The covenants set forth in this Deed shall run with the land described above and, to the fullest extent permitted by law and equity, shall be binding for the benefit and in favor of and enforceable by the Seller, their successors and assignees or the Kentucky Housing Corporation shall be entitled to (a) institute legal actions to enforce performance and observance of these covenants, (b) enjoin any acts which are violative of the covenants, and (c) exercise any other legal or equitable right or remedy with respect to these covenants. This covenant shall continue in effect until ten (10) years from the above date of sale and transfer of property.

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 uses 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. 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.

As funding allows, KHC opens a limited number of vouchers in each program. Referrals to Safe Havens are made through provider agencies, and vouchers are allocated to the agencies to cover the referrals. When vouchers are available, KHC notifies the agencies of the allocations through eGrams and/or emails. Safe Havens is also listed on KHC's website as an available program for the targeted groups. 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 \$60,000 per unit for homeownership activities. 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.

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)

All Emergency Shelter Grant (ESG) funds allocated to the balance of state are made available to cities and counties or private nonprofit organizations where the unit of local government certifies that it approves each project.

No single application will receive more than \$50,000 of the total amount of funds available and no multiple (joint) applications will receive more than \$100,000 of the total amount of funds available.

KHC will make every attempt to allocate funds to as many projects as possible. The amount of funds awarded will depend on how well a particular application scores. Those applications receiving higher scores will receive awards. Applications with low scores are less likely to receive funding.

Applications that are selected for funding will receive funding proportional to their ranking as outlined in the Allocation Formula Model.

After determining the minimum score percentage to be considered for funding, the funds will be allocated based on the following model:

Application Ranking	Allocation Formula
1	100% of the request or maximum eligible (whichever is lowest)
2	99% of the request or maximum eligible (whichever is lowest)
3	98% of the request or maximum eligible (whichever is lowest)
4	97% of the request or maximum eligible (whichever is lowest)
5	96% of the request or maximum eligible (whichever is lowest)
6	95% of the request or maximum eligible (whichever is lowest)
7	94% of the request or maximum eligible (whichever is lowest)
8	93% of the request or maximum eligible (whichever is lowest)
9	92% of the request or maximum eligible (whichever is lowest)
10	91% of the request or maximum eligible (whichever is lowest)

11	90% of the request or maximum eligible (whichever is lowest)
12	88% of the request or maximum eligible (whichever is lowest)
13	86% of the request or maximum eligible (whichever is lowest)
14	84% of the request or maximum eligible (whichever is lowest)
15	82% of the request or maximum eligible (whichever is lowest)
16	80% of the request or maximum eligible (whichever is lowest)
17	78% of the request or maximum eligible (whichever is lowest)
18	76% of the request or maximum eligible (whichever is lowest)
19	74% of the request or maximum eligible (whichever is lowest)
20	72% of the request or maximum eligible (whichever is lowest)
21	70% of the request or maximum eligible (whichever is lowest)
22	68% of the request or maximum eligible (whichever is lowest)
23	66% of the request or maximum eligible (whichever is lowest)
24	64% of the request or maximum eligible (whichever is lowest)
25	62% of the request or maximum eligible (whichever is lowest)
26	60% of the request or maximum eligible (whichever is lowest)
27	57% of the request or maximum eligible (whichever is lowest)
28	54% of the request or maximum eligible (whichever is lowest)
29	51% of the request or maximum eligible (whichever is lowest)
30	48% of the request or maximum eligible (whichever is lowest)
31	45% of the request or maximum eligible (whichever is lowest)
32	42% of the request or maximum eligible (whichever is lowest)
33	39% of the request or maximum eligible (whichever is lowest)
34	36% of the request or maximum eligible (whichever is lowest)
35	33% of the request or maximum eligible (whichever is lowest)
36	30% of the request or maximum eligible (whichever is lowest)
37	27% of the request or maximum eligible (whichever is lowest)
38	24% of the request or maximum eligible (whichever is lowest)
39	21% of the request or maximum eligible (whichever is lowest)
40	18% of the request or maximum eligible (whichever is lowest)
41	15% of the request or maximum eligible (whichever is lowest)
42	12% of the request or maximum eligible (whichever is lowest)
43	9% of the request or maximum eligible (whichever is lowest)
44	6% of the request or maximum eligible (whichever is lowest)

In case of a tie, the applicant with the highest rate of homelessness will receive funding. (Confirmed by current Point in Time Count data).

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	290
-----------------------------------------------------------------------------------------------	-----

Number of households to be provided tenant-based rental assistance	39
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). Subrecipients 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.

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.

Application for Federal Assistance SF-424

Version 02

*1. Type of Submission:	*2. Type of Application	* If Revision, select appropriate letter(s)
<input type="checkbox"/> Preapplication	<input checked="" type="checkbox"/> New	
<input checked="" type="checkbox"/> Application	<input type="checkbox"/> Continuation	*Other (Specify) _____
<input type="checkbox"/> Changed/Corrected Application	<input type="checkbox"/> Revision	
3. Date Received:		4. Applicant Identifier:
5a. Federal Entity Identifier:		*5b. Federal Award Identifier:
State Use Only:		
6. Date Received by State:		7. State Application Identifier:
8. APPLICANT INFORMATION:		
*a. Legal Name: Kentucky Housing Corporation		
*b. Employer/Taxpayer Identification Number (EIN/TIN): 61-0864674		*c. Organizational DUNS: 082316696
d. Address:		
*Street 1: 1231 Louisville Road		
Street 2: _____		
*City: Frankfort		
County: Franklin		
*State: Kentucky		
Province: _____		
*Country: USA		
*Zip / Postal Code 40601-6156		
e. Organizational Unit:		
Department Name: Housing Finance and Construction		Division Name: HOME Investment Partnerships Program
f. Name and contact information of person to be contacted on matters involving this application:		
Prefix: _____		*First Name: Mark
Middle Name: _____		
*Last Name: Offerman		
Suffix: _____		
Title: Chief Operating Officer		
Organizational Affiliation: Kentucky Housing Corporation		
*Telephone Number: 502-564-7630		Fax Number: 502-564-5651
*Email: MOfferman@kyhousing.org		

Application for Federal Assistance SF-424

Version 02

***9. Type of Applicant 1: Select Applicant Type:**

A.State Government

Type of Applicant 2: Select Applicant Type:

Type of Applicant 3: Select Applicant Type:

*Other (Specify)

***10 Name of Federal Agency:**

US Department of Housing and Urban Development

11. Catalog of Federal Domestic Assistance Number:

14.239

CFDA Title:

HOME Investment Partnerships Program

***12 Funding Opportunity Number:**

*Title:

13. Competition Identification Number:

Title:

14. Areas Affected by Project (Cities, Counties, States, etc.):

Statewide, Kentucky

***15. Descriptive Title of Applicant's Project:**

HOME Investment Partnerships Program

Application for Federal Assistance SF-424

Version 02

16. Congressional Districts Of:

*a. Applicant: KY-06

*b. Program/Project: KY-ALL

17. Proposed Project:

*a. Start Date: 07/01/2011

*b. End Date: 06/30/2012

18. Estimated Funding (\$):

*a. Federal	<u>16,354,959</u>
*b. Applicant	<u>0</u>
*c. State	<u>0</u>
*d. Local	<u>0</u>
*e. Other	<u>0</u>
*f. Program Income	<u>0</u>
*g. TOTAL	<u>16,354,959</u>

***19. Is Application Subject to Review By State Under Executive Order 12372 Process?**

- a. This application was made available to the State under the Executive Order 12372 Process for review on _____
- b. Program is subject to E.O. 12372 but has not been selected by the State for review.
- c. Program is not covered by E. O. 12372

***20. Is the Applicant Delinquent On Any Federal Debt? (If "Yes", provide explanation.)**

Yes No

21. *By signing this application, I certify (1) to the statements contained in the list of certifications** and (2) that the statements herein are true, complete and accurate to the best of my knowledge. I also provide the required assurances** and agree to comply with any resulting terms if I accept an award. I am aware that any false, fictitious, or fraudulent statements or claims may subject me to criminal, civil, or administrative penalties. (U. S. Code, Title 218, Section 1001)

** I AGREE

** The list of certifications and assurances, or an internet site where you may obtain this list, is contained in the announcement or agency specific instructions

Authorized Representative:

Prefix: _____ *First Name: Mark

Middle Name: _____

*Last Name: Offerman

Suffix: _____

*Title: Chief Operating Officer

*Telephone Number: 502-564-7630 Fax Number: 502-564-5651

* Email: MOfferman@kyhousing.org

*Signature of Authorized Representative:

*Date Signed: 06/10/2011

Authorized for Local Reproduction

Standard Form 424 (Revised 10/2005)

Prescribed by OMB Circular A-102

Application for Federal Assistance SF-424

Version 02

***Applicant Federal Debt Delinquency Explanation**

The following should contain an explanation if the Applicant organization is delinquent of any Federal Debt.

Application for Federal Assistance SF-424

Version 02

*1. Type of Submission:	*2. Type of Application	* If Revision, select appropriate letter(s)
<input type="checkbox"/> Preapplication <input checked="" type="checkbox"/> Application <input type="checkbox"/> Changed/Corrected Application	<input checked="" type="checkbox"/> New <input type="checkbox"/> Continuation <input type="checkbox"/> Revision	*Other (Specify) _____
3. Date Received:	4. Applicant Identifier:	
5a. Federal Entity Identifier:	*5b. Federal Award Identifier:	
State Use Only:		
6. Date Received by State:	7. State Application Identifier:	
8. APPLICANT INFORMATION:		
*a. Legal Name: Kentucky Housing Corporation		
*b. Employer/Taxpayer Identification Number (EIN/TIN): 61-0864674		*c. Organizational DUNS: 082316696
d. Address:		
*Street 1:	1231 Louisville Road	
Street 2:	_____	
*City:	Frankfort	
County:	Franklin	
*State:	Kentucky	
Province:	_____	
*Country:	USA	
*Zip / Postal Code	40601-6156	
e. Organizational Unit:		
Department Name: Specialized Housing Resources	Division Name: Emergency Shelter Grants	
f. Name and contact information of person to be contacted on matters involving this application:		
Prefix:	*First Name: Mark	
Middle Name:	_____	
*Last Name:	Offerman	
Suffix:	_____	
Title:	Chief Operating Officer	
Organizational Affiliation: Kentucky Housing Corporation		
*Telephone Number: 502-564-7630		Fax Number: 502-564-5651
*Email: MOfferman@kyhousing.org		

Application for Federal Assistance SF-424

Version 02

***9. Type of Applicant 1: Select Applicant Type:**

A.State Government

Type of Applicant 2: Select Applicant Type:

Type of Applicant 3: Select Applicant Type:

*Other (Specify)

***10 Name of Federal Agency:**

US Department of Housing and Urban Development

11. Catalog of Federal Domestic Assistance Number:

14.231

CFDA Title:

Emergency Shelter Grant Program

***12 Funding Opportunity Number:**

*Title:

13. Competition Identification Number:

Title:

14. Areas Affected by Project (Cities, Counties, States, etc.):

Statewide, Kentucky

***15. Descriptive Title of Applicant's Project:**

Emergency Shelter Grant Program

Application for Federal Assistance SF-424

Version 02

16. Congressional Districts Of:

*a. Applicant: KY-06

*b. Program/Project: KY-ALL

17. Proposed Project:

*a. Start Date: 07/01/2011

*b. End Date: 06/30/2012

18. Estimated Funding (\$):

*a. Federal	1,386,238
*b. Applicant	0
*c. State	0
*d. Local	0
*e. Other	0
*f. Program Income	0
*g. TOTAL	1,386,238

***19. Is Application Subject to Review By State Under Executive Order 12372 Process?**

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** I AGREE

** The list of certifications and assurances, or an internet site where you may obtain this list, is contained in the announcement or agency specific instructions

Authorized Representative:

Prefix: _____ *First Name: Mark

Middle Name: _____

*Last Name: Offerman

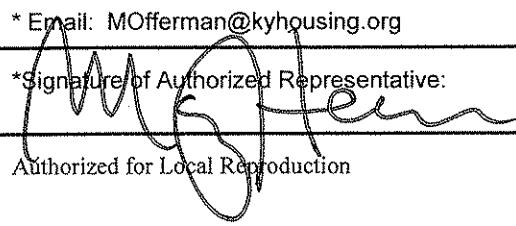
Suffix: _____

*Title: Chief Operating Officer

*Telephone Number: 502-564-7630 Fax Number: 502-564-5651

* Email: MOfferman@kyhousing.org

*Signature of Authorized Representative:



*Date Signed: 06/10/2011

Application for Federal Assistance SF-424

Version 02

***Applicant Federal Debt Delinquency Explanation**

The following should contain an explanation if the Applicant organization is delinquent of any Federal Debt.

Application for Federal Assistance SF-424

Version 02

*1. Type of Submission:	*2. Type of Application	* If Revision, select appropriate letter(s)
<input type="checkbox"/> Preapplication	<input checked="" type="checkbox"/> New	
<input type="checkbox"/> Application	<input checked="" type="checkbox"/> Continuation	*Other (Specify) _____
<input type="checkbox"/> Changed/Corrected Application	<input type="checkbox"/> Revision	
3. Date Received:	4. Applicant Identifier:	
5a. Federal Entity Identifier:	*5b. Federal Award Identifier:	
State Use Only:		
6. Date Received by State:	7. State Application Identifier:	
8. APPLICANT INFORMATION:		
*a. Legal Name: Kentucky Housing Corporation		
*b. Employer/Taxpayer Identification Number (EIN/TIN): 61-0864674		*c. Organizational DUNS: 082316696
d. Address:		
*Street 1:	1231 Louisville Road	
Street 2:		
*City:	Frankfort	
County:	Franklin	
*State:	KY	
Province:		
*Country:	USA	
*Zip / Postal Code	40601	
e. Organizational Unit:		
Department Name: Housing Finance and Construction	Division Name: Specialized Housing Resources	
f. Name and contact information of person to be contacted on matters involving this application:		
Prefix:	*First Name: Mark	
Middle Name:		
*Last Name:	Offerman	
Suffix:		
Title:	Chief Officer	
Organizational Affiliation: Kentucky Housing Corporation		
*Telephone Number:	502-564-7630	Fax Number: 502-564-5651
*Email: MOfferman@kyhousing.org		

Application for Federal Assistance SF-424

Version 02

***9. Type of Applicant 1: Select Applicant Type:**

A.State Government

Type of Applicant 2: Select Applicant Type:

Type of Applicant 3: Select Applicant Type:

*Other (Specify)

***10 Name of Federal Agency:**

U. S. Department of Housing and Urban Development

11. Catalog of Federal Domestic Assistance Number:

14.247

CFDA Title:

Housing Opportunities for Persons with AIDS

***12 Funding Opportunity Number:**

*Title:

13. Competition Identification Number:

Title:

14. Areas Affected by Project (Cities, Counties, States, etc.):

Statewide, Kentucky

***15. Descriptive Title of Applicant's Project:**

Application for Federal Assistance SF-424

Version 02

16. Congressional Districts Of:

*a. Applicant: 1,2,3,4,5,6

*b. Program/Project: 1,2,3,4,5,6

17. Proposed Project:

*a. Start Date:

*b. End Date:

18. Estimated Funding (\$):

*a. Federal	501,578
*b. Applicant	0
*c. State	0
*d. Local	0
*e. Other	0
*f. Program Income	0
*g. TOTAL	501,578

***19. Is Application Subject to Review By State Under Executive Order 12372 Process?**

- a. This application was made available to the State under the Executive Order 12372 Process for review on _____
- b. Program is subject to E.O. 12372 but has not been selected by the State for review.
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***20. Is the Applicant Delinquent On Any Federal Debt? (If "Yes", provide explanation.)**

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21. *By signing this application, I certify (1) to the statements contained in the list of certifications** and (2) that the statements herein are true, complete and accurate to the best of my knowledge. I also provide the required assurances** and agree to comply with any resulting terms if I accept an award. I am aware that any false, fictitious, or fraudulent statements or claims may subject me to criminal, civil, or administrative penalties. (U. S. Code, Title 218, Section 1001)

** I AGREE

** The list of certifications and assurances, or an internet site where you may obtain this list, is contained in the announcement or agency specific instructions

Authorized Representative:

Prefix: _____ *First Name: Richard

Middle Name: _____

*Last Name: McQuady

Suffix: _____

*Title: Chief Executive Officer

*Telephone Number: 502-564-7630 Fax Number: 502-564-5651

* Email: RMcQuady@kyhousing.org

*Signature of Authorized Representative: 

*Date Signed: 5/9/11

Application for Federal Assistance SF-424

Version 02

***Applicant Federal Debt Delinquency Explanation**

The following should contain an explanation if the Applicant organization is delinquent of any Federal Debt.

**APPLICATION FOR
FEDERAL ASSISTANCE**

		2. DATE SUBMITTED	Applicant Identifier
1. TYPE OF SUBMISSION: Application <input type="checkbox"/> Construction <input checked="" type="checkbox"/> Non-Construction		3. DATE RECEIVED BY STATE	State Application Identifier
Pre-application <input type="checkbox"/> Construction <input type="checkbox"/> Non-Construction		4. DATE RECEIVED BY FEDERAL AGENCY	Federal Identifier
5. APPLICANT INFORMATION			
Legal Name: Department for Local Government		Organizational Unit: Department:	
Organizational DUNS: 781287743		Division: Office of Federal Grants	
Address: Street: 1024 Capital Center Drive, Suite 340		Name and telephone number of person to be contacted on matters involving this application (give area code) Prefix: Mrs. First Name: Lynn	
City: Frankfort		Middle Name	
County: Franklin		Last Name Littrell	
State: Kentucky	Zip Code 40601	Suffix:	
Country: USA		Email: lynn.littrell@ky.gov	
6. EMPLOYER IDENTIFICATION NUMBER (EIN): [6] [1] - [0] [6] [0] [0] [4] [3] [9]		Phone Number (give area code) 502-573-2382	Fax Number (give area code) 502-573-1519
8. TYPE OF APPLICATION: <input type="checkbox"/> New <input checked="" type="checkbox"/> Continuation <input type="checkbox"/> Revision If Revision, enter appropriate letter(s) in box(es) (See back of form for description of letters.) [] []		7. TYPE OF APPLICANT: (See back of form for Application Types) State Government Other (specify)	
Other (specify)		9. NAME OF FEDERAL AGENCY: U.S. Department of Housing and Urban Development	
10. CATALOG OF FEDERAL DOMESTIC ASSISTANCE NUMBER: [1] [4] - [2] [2] [8]		11. DESCRIPTIVE TITLE OF APPLICANT'S PROJECT: Kentucky Small Cities Community Development Block Grant	
TITLE (Name of Program):			
12. AREAS AFFECTED BY PROJECT (Cities, Counties, States, etc.): Statewide			
13. PROPOSED PROJECT		14. CONGRESSIONAL DISTRICTS OF:	
Start Date: 07/1/11	Ending Date: 06/30/12	a. Applicant 1,2,3,4,5,6	b. Project 1,2,3,4,5,6
15. ESTIMATED FUNDING:		16. IS APPLICATION SUBJECT TO REVIEW BY STATE EXECUTIVE ORDER 12372 PROCESS?	
a. Federal	\$ 24,941,284 ⁰⁰	a. Yes. <input type="checkbox"/> THIS PREAPPLICATION/APPLICATION WAS MADE AVAILABLE TO THE STATE EXECUTIVE ORDER 12372 PROCESS FOR REVIEW ON	
b. Applicant	\$. ⁰⁰	DATE:	
c. State	\$ 848,238 ⁰⁰	b. No. <input checked="" type="checkbox"/> PROGRAM IS NOT COVERED BY E. O. 12372	
d. Local	\$. ⁰⁰	<input type="checkbox"/> OR PROGRAM HAS NOT BEEN SELECTED BY STATE FOR REVIEW	
e. Other	\$. ⁰⁰		
f. Program Income	\$. ⁰⁰		
g. TOTAL	\$ 24,093,046 ⁰⁰		
17. IS THE APPLICANT DELINQUENT ON ANY FEDERAL DEBT? <input type="checkbox"/> Yes If "Yes" attach an explanation. <input checked="" type="checkbox"/> No			
18. TO THE BEST OF MY KNOWLEDGE AND BELIEF, ALL DATA IN THIS APPLICATION/PREAPPLICATION ARE TRUE AND CORRECT. THE DOCUMENT HAS BEEN DULY AUTHORIZED BY THE GOVERNING BODY OF THE APPLICANT AND THE APPLICANT WILL COMPLY WITH THE ATTACHED ASSURANCES IF THE ASSISTANCE IS AWARDED.			
a. Authorized Representative			
Prefix Mr.	First Name Tony	Middle Name	
Last Name Wilder		Suffix	
b. Title Commissioner		c. Telephone Number (give area code) 502-573-2382	
d. Signature of Authorized Representative		e. Date Signed 6-10-11	

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Standard Form 424 (Rev.9-2003)
Prescribed by OMB Circular A-102

STATE CERTIFICATIONS

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

Affirmatively Further Fair Housing -- The State will affirmatively further fair housing, which means it will conduct an analysis of impediments to fair housing choice within the state, take appropriate actions to overcome the effects of any impediments identified through that analysis, and maintain records reflecting that analysis and actions in this regard.

Anti-displacement and Relocation Plan -- It will comply with the acquisition and relocation requirements of the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970, as amended, and implementing regulations at 49 CFR 24; and it has in effect and is following a residential antidisplacement and relocation assistance plan required under section 104(d) of the Housing and Community Development Act of 1974, as amended, in connection with any activity assisted with funding under the CDBG or HOME programs.

Drug Free Workplace -- It will or will continue to provide a drug-free workplace by:

1. Publishing a statement notifying employees that the unlawful manufacture, distribution, dispensing, possession, or use of a controlled substance is prohibited in the grantee's workplace and specifying the actions that will be taken against employees for violation of such prohibition;
2. Establishing an ongoing drug-free awareness program to inform employees about -
 - (a) The dangers of drug abuse in the workplace;
 - (b) The grantee's policy of maintaining a drug-free workplace;
 - (c) Any available drug counseling, rehabilitation, and employee assistance programs; and
 - (d) The penalties that may be imposed upon employees for drug abuse violations occurring in the workplace;
3. Making it a requirement that each employee to be engaged in the performance of the grant be given a copy of the statement required by paragraph 1;
4. Notifying the employee in the statement required by paragraph 1 that, as a condition of employment under the grant, the employee will -
 - (a) Abide by the terms of the statement; and
 - (b) Notify the employer in writing of his or her conviction for a violation of a criminal drug statute occurring in the workplace no later than five calendar days after such conviction;
5. Notifying the agency in writing, within ten calendar days after receiving notice under subparagraph 4(b) from an employee or otherwise receiving actual notice of such conviction. Employers of convicted employees must provide notice, including position title, to every grant

officer or other designee on whose grant activity the convicted employee was working, unless the Federal agency has designated a central point for the receipt of such notices. Notice shall include the identification number(s) of each affected grant;

6. Taking one of the following actions, within 30 calendar days of receiving notice under subparagraph 4(b), with respect to any employee who is so convicted -
 - (a) Taking appropriate personnel action against such an employee, up to and including termination, consistent with the requirements of the Rehabilitation Act of 1973, as amended; or
 - (b) Requiring such employee to participate satisfactorily in a drug abuse assistance or rehabilitation program approved for such purposes by a Federal, State, or local health, law enforcement, or other appropriate agency;
7. Making a good faith effort to continue to maintain a drug-free workplace through implementation of paragraphs 1, 2, 3, 4, 5 and 6.

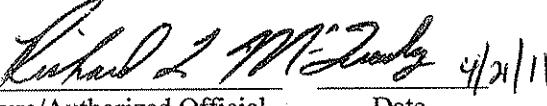
Anti-Lobbying -- To the best of the State's knowledge and belief:

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

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

Consistency with plan -- The housing activities to be undertaken with CDBG, HOME, ESG, and HOPWA funds are consistent with the strategic plan.

Section 3 -- It will comply with section 3 of the Housing and Urban Development Act of 1968, and implementing regulations at 24 CFR Part 135.



Signature/Authorized Official

Date

Chief Executive Officer

Title

STATE CERTIFICATIONS

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 - (a) The dangers of drug abuse in the workplace;
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 - (c) Any available drug counseling, rehabilitation, and employee assistance programs; and
 - (d) The penalties that may be imposed upon employees for drug abuse violations occurring in the workplace;
3. Making it a requirement that each employee to be engaged in the performance of the grant be given a copy of the statement required by paragraph 1;
4. Notifying the employee in the statement required by paragraph 1 that, as a condition of employment under the grant, the employee will -
 - (a) Abide by the terms of the statement; and
 - (b) Notify the employer in writing of his or her conviction for a violation of a criminal drug statute occurring in the workplace no later than five calendar days after such conviction;
5. Notifying the agency in writing, within ten calendar days after receiving notice under subparagraph 4(b) from an employee or otherwise receiving actual notice of such conviction. Employers of convicted employees must provide notice, including position title, to every grant

officer or other designee on whose grant activity the convicted employee was working, unless the Federal agency has designated a central point for the receipt of such notices. Notice shall include the identification number(s) of each affected grant;

6. Taking one of the following actions, within 30 calendar days of receiving notice under subparagraph 4(b), with respect to any employee who is so convicted -
 - (a) Taking appropriate personnel action against such an employee, up to and including termination, consistent with the requirements of the Rehabilitation Act of 1973, as amended; or
 - (b) Requiring such employee to participate satisfactorily in a drug abuse assistance or rehabilitation program approved for such purposes by a Federal, State, or local health, law enforcement, or other appropriate agency;
7. Making a good faith effort to continue to maintain a drug-free workplace through implementation of paragraphs 1, 2, 3, 4, 5 and 6.

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

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

Consistency with plan -- The housing activities to be undertaken with CDBG, HOME, ESG, and HOPWA funds are consistent with the strategic plan.

Section 3 -- It will comply with section 3 of the Housing and Urban Development Act of 1968, and implementing regulations at 24 CFR Part 135.

Dave Wilder 3-29-11

Signature/Authorized Official

Date

Commissioner

Title

Specific CDBG Certifications

The State certifies that:

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

Consultation with Local Governments -- It has or will comply with the following:

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

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

Community Development Plan -- Its consolidated housing and community development plan identifies community development and housing needs and specifies both short-term and long-term community development objectives that have been developed in accordance with the primary objectives of Title I of the Housing and Community Development Act of 1974, as amended. (See 24 CFR 570.2 and 24 CFR part 570)

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

1. **Maximum Feasible Priority.** With respect to activities expected to be assisted with CDBG funds, it certifies that it has developed its Action Plan so as to give maximum feasible priority to activities which benefit low and moderate income families or aid in the prevention or elimination of slums or blight. The Action Plan may also include activities which the grantee certifies are designed to meet other community development needs having a particular urgency because existing conditions pose a serious and immediate threat to the health or welfare of the community, and other financial resources are not available);
2. **Overall Benefit.** The aggregate use of CDBG funds including section 108 guaranteed loans during program year(s) 2010, 11, and 12. (a period specified by the grantee consisting of one, two, or three specific consecutive program years), shall principally benefit persons of low and moderate income in a manner that ensures that at least 70 percent of the amount is expended for activities that benefit such persons during the designated period;

3. **Special Assessments.** The state will require units of general local government that receive CDBG funds to certify to the following:

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

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

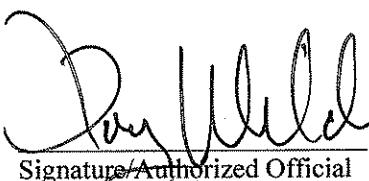
It will not attempt to recover any capital costs of public improvements assisted with CDBG funds, including Section 108, unless CDBG funds are used to pay the proportion of fee or assessment attributable to the capital costs of public improvements financed from other revenue sources. In this case, an assessment or charge may be made against the property with respect to the public improvements financed by a source other than CDBG funds. Also, in the case of properties owned and occupied by moderate-income (not low-income) families, an assessment or charge may be made against the property for public improvements financed by a source other than CDBG funds if the jurisdiction certifies that it lacks CDBG funds to cover the assessment.

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

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

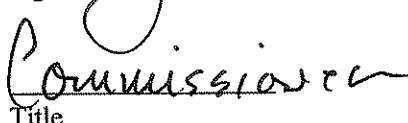
Compliance With Anti-discrimination laws -- The grant will be conducted and administered in conformity with title VI of the Civil Rights Act of 1964 (42 USC 2000d), the Fair Housing Act (42 USC 3601-3619), and implementing regulations.

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



Diane M. Miller
Signature/Authorized Official

3-29-11
Date



Commissioner
Title

Specific HOME Certifications

The State certifies that:

Tenant Based Rental Assistance -- If it intends to provide tenant-based rental assistance:

The use of HOME funds for tenant-based rental assistance is an essential element of the State's consolidated plan.

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

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


Signature/Authorized Official

4/21/11
Date

Title

Chief Executive Officer

ESG Certifications

The State seeking funds under the Emergency Shelter Program (ESG) certifies that it will ensure that its recipients of ESG funds comply with the following requirements:

Major rehabilitation/conversion -- In the case of major rehabilitation or conversion, it will maintain any building for which assistance is used under the ESG program as a shelter for homeless individuals and families for at least 10 years. If the rehabilitation is not major, the recipient will maintain any building for which assistance is used under the ESG program as a shelter for homeless individuals and families for at least 3 years.

Essential Services and Operating Costs -- Where the assistance involves essential services or maintenance, operation, insurance, utilities and furnishings, it will provide services or shelter to homeless individuals and families for the period during which the ESG assistance is provided, without regard to a particular site or structure as long as the same general population is served.

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

Supportive Services -- It will assist homeless individuals in obtaining appropriate supportive services, including permanent housing, medical and mental health treatment, counseling, supervision, and other services essential for achieving independent living, and other Federal State, local, and private assistance for such individuals.

Matching Funds -- It will obtain matching amounts required under 24 CFR 576.51 and 42 USC 11375, including a description of the sources and amounts of such supplemental funds, as provided by the State, units of general local government or nonprofit organizations.

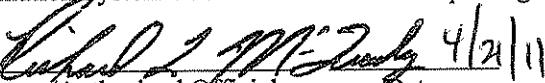
Confidentiality -- It will develop and implement procedures to ensure the confidentiality of records pertaining to any individual provided family violence prevention or treatment services under any project assisted under the ESG program, including protection against the release of the address or location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

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

Consolidated Plan -- It is following a current HUD-approved Consolidated Plan or CHAS.

Discharge Policy -- It has established a policy for the discharge of persons from publicly funded institutions or systems of care (such as health care facilities, foster care or other youth facilities, or correction programs and institutions) in order to prevent such discharge from immediately resulting in homelessness for such persons.

HMIS -- It will comply with HUD's standards for participation in a local Homeless Management Information System and the collection and reporting of client-level information.


Signature/Authorized Official Date
Michael J. Judy 4/2/11
Chief Executive Officer

Title

HOPWA Certifications

The State HOPWA grantee certifies that:

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

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

1. For at least 10 years in the case of any building or structure purchased, leased, rehabilitated, renovated, or converted with HOPWA assistance,
2. For at least 3 years in the case of assistance involving non-substantial rehabilitation or repair of a building or structure.



Signature/Authorized Official Date
4/21/11

Chief Executive Officer

Title

APPENDIX TO CERTIFICATIONS

INSTRUCTIONS CONCERNING LOBBYING AND DRUG-FREE WORKPLACE REQUIREMENTS:

A. Lobbying Certification

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

B. Drug-Free Workplace Certification

1. By signing and/or submitting this application or grant agreement, the grantee is providing the certification.
2. The certification is a material representation of fact upon which reliance is placed when the agency awards the grant. If it is later determined that the grantee knowingly rendered a false certification, or otherwise violates the requirements of the Drug-Free Workplace Act, HUD, in addition to any other remedies available to the Federal Government, may take action authorized under the Drug-Free Workplace Act.
3. For grantees other than individuals, Alternate I applies. (This is the information to which jurisdictions certify).
4. For grantees who are individuals, Alternate II applies. (Not applicable jurisdictions.)
5. Workplaces under grants, for grantees other than individuals, need not be identified on the certification. If known, they may be identified in the grant application. If the grantee does not identify the workplaces at the time of application, or upon award, if there is no application, the grantee must keep the identity of the workplace(s) on file in its office and make the information available for Federal inspection. Failure to identify all known workplaces constitutes a violation of the grantee's drug-free workplace requirements.
6. Workplace identifications must include the actual address of buildings (or parts of buildings) or other sites where work under the grant takes place. Categorical descriptions may be used (e.g., all vehicles of a mass transit authority or State highway department while in operation, State employees in each local unemployment office, performers in concert halls or radio stations).
7. If the workplace identified to the agency changes during the performance of the grant, the grantee shall inform the agency of the change(s), if it previously identified the workplaces in question (see paragraph five).
8. The grantee may insert in the space provided below the site(s) for the performance of work done in connection with the specific grant:

Place of Performance (Street address, city, county, state, zip code)

Kentucky Housing Corporation
231 Louisville Rd
Frankfort Ky 40601

Check if there are workplaces on file that are not identified here; The certification with regard to the drug-free workplace required by 24 CFR part 24, subpart F.

9. Definitions of terms in the Nonprocurement Suspension and Debarment common rule and Drug-Free Workplace common rule apply to this certification. Grantees' attention is called, in particular, to the following definitions from these rules:

"Controlled substance" means a controlled substance in Schedules I through V of the Controlled Substances Act (21 U.S.C.812) and as further defined by regulation (21 CFR 1308.11 through 1308.15);

"Conviction" means a finding of guilt (including a plea of nolo contendere) or imposition of sentence, or both, by any judicial body charged with the responsibility to determine violations of the Federal or State criminal drug statutes;

"Criminal drug statute" means a Federal or non-Federal criminal statute involving the manufacture, distribution, dispensing, use, or possession of any controlled substance;

"Employee" means the employee of a grantee directly engaged in the performance of work under a grant, including: (i) All "direct charge" employees; (ii) all "indirect charge" employees unless their impact or involvement is insignificant to the performance of the grant; and (iii) temporary personnel and consultants who are directly engaged in the performance of work under the grant and who are on the grantee's payroll. This definition does not include workers not on the payroll of the grantee (e.g., volunteers, even if used to meet a matching requirement; consultants or independent contractors not on the grantee's payroll; or employees of subrecipients or subcontractors in covered workplaces).

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8. The grantee may insert in the space provided below the site(s) for the performance of work done in connection with the specific grant:

Place of Performance (Street address, city, county, state, zip code)

Dept. for Local Government Franklin County
1024 Capital Center Driv, Ste 340
Frankfort, Ky 400601

Check if there are workplaces on file that are not identified here; The certification with regard to the drug-free workplace required by 24 CFR part 24, subpart F.

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