



**Notice of  
Funding  
Availability**

**2022**

**Gap Financing Available for Tax-Exempt  
Bond Transactions**



## INTRODUCTION

A core function of Kentucky Housing Corporation (KHC) is to invest in quality, safe, and affordable rental housing throughout Kentucky. As demand grows for capital for the preservation and creation of affordable multifamily housing, KHC has continued to expand the use of conduit tax-exempt private activity bonds (Tax-Exempt Bonds) which allow projects to access 4% Low-Income Housing Tax Credits. Four percent tax credits are not limited by Kentucky's annual credit allocation and may be accessed when at least 50% of eligible development costs are financed by tax-exempt bond proceeds.

To increase the use of Tax-Exempt Bonds, private investment, and the overall production or rehabilitation of affordable rental housing, KHC is making available a combined total of \$10 million of HOME Investment Partnerships (HOME), Affordable Housing Trust Fund (AHTF), and National Housing Trust Fund (NHTF) funds (collectively, the "funds") to be exclusively utilized as described within this Notice of Funding Availability (NOFA). These KHC funds will be made available with applications due on or before February 3, 2022. **KHC reserves the right to fund any project, or no projects, at its sole discretion.**

The urban county governments of Louisville and Lexington have also committed funds to be allocated via this NOFA. Louisville Metro Government (Louisville Metro) has committed \$500,000 in HOME funds for projects located in Jefferson County. Lexington-Fayette Urban County Government (LFUCG) has committed \$750,000 in funds from its local Affordable Housing Fund for projects in Fayette County.

KHC, Louisville Metro, and LFUCG anticipate that Funds will be awarded in March 2022, and the selected projects will close on all funding sources by **May 4, 2023**. This NOFA describes the types of eligible projects and the allocation process through which these funds will be awarded.

**Purpose of this NOFA:** This notice serves as a streamlined, initial announcement of funds available. Respondents will submit applications through KHC's [Universal Funding Application \(UFA\)](#) system using the "2022 Tax-Exempt Bond NOFA" Application.

**Project versus property:** In this NOFA, "project" refers to the property or properties included in the NOFA response. "Property" refers to an individual multifamily property. Therefore, a "project" may include three or more "properties" bundled into a portfolio for an overall NOFA application.

**Funding sources and regulations:** KHC, Louisville Metro, and LFUCG specifically reserve the right to fund no responses or to fund any response submitted under this NOFA with any of the sources of funding being made available. Accordingly, respondents should note that developments receiving federal funding will be required to comply with the applicable federal regulations. HOME and/or NHTF funds may trigger Uniform Relocation Act requirements, and income restrictions may render current tenants ineligible for Tax Credit, HOME, and/or NHTF-assisted units.

**Income averaging:** Tax-Exempt Bond projects may elect the income averaging option for the purposes of the 4% credit allocation; however, they must still meet a 20/50 or 40/60 minimum set-aside. Therefore, a bond project with 4% credits can elect an income averaging set-aside for purposes of tax credit compliance, as long as the unit mix selected would also meet either a 20/50 or 40/60 minimum set-aside test for purposes of bond compliance.

**Fees:** Refer to KHC's [Multifamily Guidelines](#) for the applicable fee structure.

***Point of contact: Questions should be directed to Samuel Thorner, KHC's Managing Director of Multifamily Programs, toll-free at 800-633-8896 or 502-564-7630, extension 427 or email [sthorner@kyhousing.org](mailto:sthorner@kyhousing.org).***

## SUMMARY OF NOFA FUNDS AVAILABLE

Source	Total Available	Maximum Per Project	Notes
<b><i>KHC Sources*</i></b>			
<b>Tax-Exempt Bonds</b>	\$95 million	Limited to 50% of total development costs	<b>All projects must utilize tax-exempt bonds</b> (conduit bonds with private placement).
<b>4% LIHTC Equity</b>	Limited by IRS	Based on eligible basis and investor interest	Accessed when 50% of eligible TDC is financed with tax-exempt bonds.
<b>HOME/AHTF Gap</b>	Approximately \$5 million	Based on demand	If used in Louisville or Lexington, KHC will match up to \$750,000 per application, regardless of funding source. If used in Louisville or Lexington, a letter of support from the local PJ will be required. If the project is located outside of Lexington or Louisville, KHC's maximum allocation is \$1,000,000. Must be utilized to provide housing for those at 60% AMI or lower.
<b>NHTF Gap</b>	\$5 million	Based on demand	Must be utilized to provide housing for those at 30% AMI or lower. Project-based rental assistance is required.
<b><i>Non-KHC Sources</i></b>			
<b>Louisville Metro HOME</b>	\$500,000	Based on Demand	Jefferson County only. Funds will be allocated via this NOFA but will be approved and disbursed by Louisville Metro.
<b>LFUCG Affordable Housing Fund</b>	\$750,000	Based on Demand	Fayette County only. Funds will be allocated via this NOFA but must be approved and disbursed by LFUCG.

*\*KHC reserves the right to alter funding amounts and/or mix funding sources. The amount and terms of any KHC resource awarded to a project is at KHC's sole discretion.*

## KHC FUNDS AVAILABLE\*

*\*Pursuant to the national and state fair housing laws, KHC reserves the right to examine all applications in terms of any possible disparate impact which may present artificial, arbitrary, and unnecessary barriers to minorities as well as for any valid government interest which might be served. KHC reserves the right to administer and to modify and adjust any allocation as it deems appropriate to accomplish its housing goals, including its goal of creating and enhancing housing choices in areas of opportunity (maximizing leveraging of available program resources and encouraging geographic distribution).*

### **HOME GAP**

**Goals:** Create or preserve affordable multifamily housing within the Commonwealth.

**Eligibility Criteria:** Gap funds are available throughout the Commonwealth. To the extent that a respondent requests HOME Gap together with other Funds, there must be a clear demonstration that the HOME Gap is necessary for the viability of the project, as proposed.

In addition to the foregoing:

- If used in Louisville or Lexington, KHC will match up to \$500,000 and \$750,000 per application, respectively. If the project is located outside of Lexington or Louisville, KHC's maximum per project is \$1,000,000.
- Rate/Term: 0-3% interest, 15 years deferred for preservation or 20 years for new construction, due at maturity. Whether the project can support amortizing debt may be considered in KHC's underwriting of the loan request.
- Lien Position: Superior to any local participating jurisdiction's (PJ) liens for gap funds.
- HOME funds are recourse.
- HOME Gap may be used during construction. However, these funds will not be available at closing. KHC will withhold 10% retainage until project is complete and closed out in accordance with 2021-2022 Multifamily Guidelines.
- When KHC HOME funds are utilized in a designated PJ, which receives a direct allocation of HOME funds from HUD, the PJ must provide a letter of support for the project, including an explanation of why the PJ is limiting its funding or not funding the project, if applicable. Except where KHC and the PJ are providing matching funds to projects within the PJ's jurisdiction, the project will not be required to utilize PJ funds to be eligible to receive KHC HOME funds. The following are local HUD PJs: LFUCG, Louisville Metro, City of Owensboro, and the Northern Kentucky HOME Consortium of Bellevue, Covington, Dayton, Ludlow, and Newport.
- KHC may charge up to \$20 per HOME unit for compliance and asset management, subject to change at KHC's sole discretion. The fee will be in addition to the housing credit compliance fees associated with the housing credits.

### **NHTF GAP**

**Goals:** Create or preserve affordable multifamily housing within the Commonwealth, serving tenants at 30% or lower AMI.

**Eligibility Criteria:** To the extent that a respondent requests NHTF Gap together with other Funds, there must be a clear demonstration that the NHTF Gap is necessary for the viability of the project, as proposed.

In addition to the foregoing:

- KHC is making \$5,000,000 of NHTF Gap available through this NOFA with no limit to the amount any one project may receive. KHC has not established a per-project maximum at this time for NHTF Funds. If a project can demonstrate the necessity of the full amount of \$5,000,000, KHC may award the full amount to a single project.
- Rate/Term: 0% interest, 30 years deferred, due at maturity. Whether the project can support amortizing debt may be considered in KHC's underwriting of the loan request.
- Lien Position: Superior to any local PJ's liens for gap funds.
- NHTF funds are recourse.
- NHTF Gap may be used during construction. However, these funds will not be available at closing. KHC will withhold 10% retainage until project is complete and closed out in accordance with 2021-2022 Multifamily Guidelines.
- KHC may charge up to \$20 per NHTF unit for compliance and asset management, subject to change at KHC's sole discretion. The fee will be in addition to the housing credit compliance fees associated with the housing credits.
- NHTF funds must be used in conjunction with project-based rental assistance.

### **AHTF GAP**

**Goals:** To create or preserve affordable multifamily units in the Commonwealth.

**Eligibility Criteria:** AHTF Gap funds are available throughout the Commonwealth. To the extent that a respondent requests AHTF Gap together with other Funds, there must be a clear demonstration that the AHTF Gap is necessary for the viability of the project, as proposed.

In addition to the foregoing:

- If used in Louisville or Lexington, KHC will match up to \$500,000 and \$750,000 per application, respectively. If the project is located outside of Lexington or Louisville, KHC's maximum per project is \$1,000,000.
- Rate/Term: 0-3% interest, 30 years deferred, due at maturity. Whether the project can support amortizing debt may be considered in KHC's underwriting of the loan request.
- Lien Position: Superior to any local PJ's liens for gap funds, with the potential for subordination to a local PJ's HOME funds.
- AHTF funds may be non-recourse.
- AHTF Gap may be used during construction. However, these funds will not be available at closing. KHC will withhold 10% retainage until project is complete and closed out in accordance with 2021-2022 Multifamily Guidelines.
- A qualified nonprofit **must** own at least 51% of the general partner interest and materially participate in the management or ownership of the development.

## LOUISVILLE METRO FUNDS AVAILABLE (HOME - \$500,000)

### HOME GAP

**Goals:** Participate in the creation and preservation of rental units with a variety of housing choices; a diverse blend of affordable housing types, supported by public facilities and other amenities. The goal of this NOFA is to finance 200 to 300 units.

**Eligible Respondents:** For-profit and nonprofit developers, certified Community Housing Development Organizations (CHDOs), and faith- and non-faith-based organizations.

Respondents must demonstrate housing development experience, financial capacity, and availability to begin and complete the project in a timely manner. Respondents must take on the roles of developer, builder, and property manager, or identify experienced partners/contractors who will serve in these roles. Respondents must be in good standing on current and past projects funded by Louisville Metro, e.g., no outstanding property taxes, no property code violations, consistent Metro payment history, current on Metro payable loans, and in compliance with general funding regulations and requirements.

Respondents must share their project concept with Louisville Metro before requesting funds via this NOFA and must secure a letter of interest from Louisville Metro. See the *Threshold Criteria* section of this NOFA.

**Eligible Activities:** Acquisition/Rehabilitation or New Construction

Projects in Jefferson County that are eligible for HOME funding.

In addition to the above:

- Maximum Per Project: There is a maximum of \$500,000 Metro HOME Gap per assisted project.
- Compliance period: Based on HOME-required period of affordability (typically 15-20 years).
- Rate: 0% -3.5%, deferred, due at maturity.
- Lien Position: Subordinate to KHC HOME.
- HOME funds are recourse.
- HOME Gap may be used during construction and the interest may be deferred.

**Disclaimers:**

- Louisville Metro reserves the right to allocate less than \$500,000 via this NOFA, or to allocate no funds whatsoever, should no NOFA responses qualify for Louisville Metro HOME funds.
- Louisville Metro reserves the right to require documentation beyond that required by KHC if needed to make funding decisions.

## LFUCG FUNDS AVAILABLE

(AHF - \$750,000)

**Goals:** To leverage public investment to preserve, produce, and provide safe, quality, affordable rental housing in Fayette County.

**Eligibility Criteria:** Projects in Fayette County that preserve and/or create affordable rental housing consistent and compliant with HUD's HOME program and/or LFUCG's local Affordable Housing Fund.

At least 50% of the funds provided by the LFUCG Office of Affordable Housing must be allocated in the form of an amortizing loan, including surplus cash notes. If a surplus cash note is requested, the annual scheduled payment must be made prior to the payment of any deferred developer fee.

Additional program information and project criteria can be found at the following link on LFUCG's website:

[Affordable Housing Fund](#)

Respondents must share their project concept with LFUCG before requesting funds via this NOFA and must secure a letter of interest from LFUCG. See the *Threshold Criteria* section of this NOFA.

### Disclaimers:

- All applications for Affordable Housing Fund dollars are subject to approval by the Affordable Housing Fund Board of Directors.
- LFUCG reserves the right to allocate less than \$750,000 via this NOFA, or to allocate no funds whatsoever, should no NOFA responses qualify for LFUCG funds.



## PROJECTED NOFA TIMELINE

December 2, 2021	KHC announces NOFA and opens Development Team Capacity applications.
December 9, 2021	KHC releases NOFA.
December 22, 2021	Development Team Capacity applications due.
January 27, 2022	Pre-submission waiver requests due.
February 3, 2022	Last date NOFA responses may be submitted. KHC reserves the right to extend this deadline as needed to fully utilize resources. Should KHC elect to extend this deadline, announcements will be made via KHC's eGram notification system.
March 31, 2022	NOFA Awards announced ( <i>announcements may be delayed if the NOFA response deadline is extended</i> ).
May 4, 2022 ( <i>or 90 days from pre-application submission deadline, whichever is later</i> )	Last date for full application submission.
August 4, 2022 ( <i>or 90 days from full application submission deadline, whichever is later</i> )	Technical submission complete. Extension requests may be made in accordance with 2021-2022 Qualified Allocation Plan (QAP) and Multifamily Guidelines via waiver. Extension fees apply.
May 4, 2023 ( <i>or 1 year from full application submission deadline, whichever is later</i> )	Deadline for closing. KHC may, at its discretion, provide one or more extensions consistent with the procedures set forth in the 2021-2022 QAP. Extension fees apply.
24 Months After Closing	Projects must be completed and placed in service no later than 24 months after the date of the closing of all KHC funds.

## THRESHOLD CRITERIA FOR ALL PROJECTS

1. Applicants must utilize a minimum of \$3,000,000 in Tax-Exempt Bonds for construction and/or permanent financing.
2. Applicants must present a project timeline demonstrating the ability to close on all funds requested in this NOFA—including the bond transaction—within the timeframe set forth in this NOFA. This timeline includes Full Application, Inducement Resolution, Technical Submission, Final Resolution, Project Closing, and Project Placed in Service dates. Projects must submit a Full Application before Inducement Resolution. Projects must be completed and placed in service no later than 24 months after the date of the closing of all KHC funds.
3. Applicants must meet the requirements of the 2021-2022 Qualified Allocation Plan (QAP) and 2021-2022 Multifamily Guidelines. Respondents may request waivers of the requirements in the QAP; however, each waiver request must be supported with appropriate justification and shall be accompanied by any applicable fees.
4. Respondents proposing projects in Jefferson or Fayette counties (regardless of whether the respondents are seeking gap subsidy from Louisville Metro or LFUCG) must share their project concept with Louisville Metro and/or LFUCG and must secure a letter of interest from Louisville Metro or LFUCG. The letter of interest should express the municipality's support of a NOFA response but need not express any firm commitment of funds.
5. All members of the development team must provide a current capacity approval letter from KHC.
6. Applicants must engage an attorney or attorneys who can demonstrate a comprehensive understanding of legal and procedural issues related to bond issuances and KHC's general bond policies and procedures.
7. The funds will only be available to projects that have not yet received an allocation of Tax-Exempt Bonds or any other KHC-administered resources.
8. All projects must clearly address one or more impediments to fair housing. Respondents must identify fair housing impediments in KHC's Analysis of Impediments to Fair Housing (AI).
9. Single-family projects are prohibited.
10. If a project will require a waiver, the approved waiver must be submitted with the application. The deadline to request a waiver is **January 27, 2022**.
11. KHC will require a project to recognize other funded projects in its market study review. In the event two or more projects are submitted from the same geographical region, KHC staff will determine, based upon a market study review procured by KHC, whether the targeted market for that particular region will be able to absorb each project. If the market review shows the target region cannot absorb multiple projects, then the project meeting the most preferences will be approved. Market study considerations may cause a property or a project to be denied funding or have funding reduced during the application and technical submission phase.

## KENTUCKY HOUSING CORPORATION FUNDING PREFERENCES

- Projects with some form of project-based rental assistance;
- Rehabilitation projects consisting of three or more properties (portfolio projects);
- Projects serving elderly populations;
- Projects repositioning under HUD's Rental Assistance Demonstration (RAD) Program;
- Projects that submitted a 9% Low Income Housing Tax Credit application to KHC and were rerouted to utilize tax-exempt bond financing;
- Innovative projects addressing the affordable housing needs of the commonwealth, including projects offering services to youth aging out of foster care, workforce housing, etc.
- Equitable geographic distribution of KHC resources;
- Projects that have previously submitted non-competitive Tax-Exempt Bond applications that experienced an increase in costs giving rise to the need for gap financing.

**Portfolio Projects.** If any preference is applicable to any one property within a portfolio project, the project will be treated as meeting that preference.

**No Priority.** There is no priority to the preferences and the preferences are listed in no particular order.

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### **Submission of NOFA Response:**

NOFA responses must be submitted to KHC via the Universal Funding Application (UFA) system. Portfolio transactions must submit a pre-application for the overall portfolio, as well as a separate pre-application for each of the individual projects within the portfolio.

### **Public Records Acknowledgement:**

As part of its response to the NOFA, Applicant acknowledges that it is aware that its response and all materials submitted constitute public records within the meaning of the Kentucky Open Records Act (Kentucky Revised Statutes (KRS) §§ 61.870 to 61.884). Once respondents have been awarded funds through the NOFA selection process, KHC may be required to share submitted materials to satisfy an open records request.

Applicant must also acknowledge and agree that unless such material is segregated and clearly designated by Applicant in its response as eligible for an exemption pursuant to KRS § 61.878, KHC will comply with valid open record requests and make the response material available for inspection and/or copying. Applicant must further acknowledge and agree that even material which is so segregated and designated by the Applicant may become subject to release by KHC upon a successful challenge by a member of the public.