

Chapter 4 - Technical Submission Stage & Requirements

Once an applicant receives approval from KHC to move forward, the application will then enter into the Technical Submission stage of the process. Staff will work with applicants during this stage to ensure all guidelines and requirements are met. Additional documentation will be required and will be outlined in a letter to the applicant. The Technical Submission checklist can be found on KHC's Web site under Housing Production, Rental Production, Technical Submission Packet.

Technical Submission Stage (not all inclusive)

All applicants that receive a conditional commitment of funding are required to comply with the terms and conditions of the technical submission phase. In addition to the letter of conditional commitment funding, applicants receive a checklist of additional items that need to be submitted to KHC prior to a final award of funding. All applicants have 120 **calendar days** to submit **all** required items. If the 120 day deadline is not met, applicants forfeit their funding commitment and KHC shall recapture all resources committed. Therefore, it is critical that all applicants meet the 120-day technical submission deadline. It is imperative that the applicant stay in contact with their respective representative during this 120 day period. KHC staff will work with all applicants to help ensure that items are received and reviewed in a timely manner.

If an applicant is new to KHC, the program representative/specialist will request a face-to-face meeting with the applicant to discuss technical submission and the technical submission checklist. Additional guidance and forms can be found at KHC's Web site, on the Housing Production page under Rental Productions Programs.

Below is a description of certain documents which will be required during the technical submission stage. This is not an all inclusive list of items. Please refer to the Technical Submission checklist for additional documentation that will be required.

Tenant Selection Plan

(Required on all projects)

The tenant selection plan is a written policy which ensures that new tenants are selected in conformance with the owner's policies and all applicable federal requirements. The tenant selection plan should describe the criteria that will be used to identify eligible tenants.

Affirmative Marketing Plan

(5 units or more)

Each applicant is required to carry out an affirmative program to attract prospective buyers or tenants from all minority and non-minority groups in the housing market area regardless of age, race, color, religion, sex, national origin, disability, or familial status. Racial groups include White, African American, American Native, Asian, native Pacific Islander. Other groups who may be subject to housing discrimination includes but not limited to American Hispanic or Latino, persons with disabilities or families with children. The applicant shall describe in the AFHM Plan the proposed activities to be carried out during advance marketing where applicable as well as initial sales and rent-up period. The affirmative marketing program also should ensure that any group(s) of persons ordinarily unlikely to apply for this housing without special outreach, know about the housing, feel welcome to apply and have the opportunity to buy or rent.

Drug Free Workplace Certification

(Required on all projects)

KHC's policy is to promote a drug free environment for all individuals acquiring housing through the use of KHC funds. Applicants are required to sign The Drug Free Certification form which certifies the project will continue to provide a drug-free workplace by publishing a statement notifying employees that the unlawful manufacture, distribution, dispensing, possession or use of a controlled substance is prohibited in the recipient's workplace. The policy should also specify the actions that will be taken against employees who violate this prohibition.

Fair Housing Plan

(Required on all projects)

Each applicant must submit a Fair Housing policy or incorporate policies into the organization's existing system which will ensure that all citizens within the service area are aware that affirmatively furthering fair housing practices is a priority.

Sample Lease Documents

There are certain requirements that should be incorporated in to the lease agreement between the owner and tenant depending upon the funding source(s) in the development. KHC has established guidelines that contain both provisions and prohibited clauses in a lease. The lease should also conform to the tenant selection plan.

A-95 Clearinghouse Letter

(Required if requesting HOME or Risk-Sharing)

A letter from the Department of Local Government which states the project has undergone the process to ensure there will be no negative impacts on any part of the environment and has received clearance to move forward with the environmental review. This letter is received after Application has been made to Kentucky Intergovernmental Review Process during the application stage. The Web site for the Kentucky Intergovernmental Review process can be found at <http://dlg.ky.gov/clearinghouse/>.

Title VI Self-Survey & Assurance

(Required for projects involving federal funds only)

In accordance with KRS 344.015, KHC developed a Title VI Implementation Plan. All organizations that receive pass-through federal funding from KHC must comply with this implementation plan. To ensure that KHC meets its compliance responsibility, procedures have been established to provide monitoring of Title VI compliance activities and complaint processing in all programs. To meet the requirements of compliance, every recipient can either adopt the KHC plan or create their own. The document can be downloaded from KHC's Web site on the Rental Production page in the HOME Implementation Manual under Reference Materials.

Proof of Match & Other Funding Commitments

All KHC Housing Finance and Construction Programs, except Risk-Sharing and Housing Credit, require a five percent match. Any non-KHC financing source may be eligible. During the technical submission phase proof of match will be required. Please refer to Application Submission chapter for additional information pertaining to match requirements.

Documentation supporting all other funds to be utilized in the deal will be required at technical submission stage. These documents must be firm commitments that includes all terms, the amount of the funding source and documentation must be on agency's letterhead and signed. Final underwriting will not be completed until all source of funds documentation is received.

Historic Preservation Letter

(Historic Tax Credit projects only if not provided at application)

Must provide an approved Part 1-Evaluation of Significance of the Historic Preservation Certification Application from the State Historic Preservation Office (SHPO). Plans and specifications must still meet all Kentucky Housing Design and Construction requirements as well.

By-Laws & Articles of Incorporation

(If applicable)

Applicants must submit their By-Laws and Articles of Incorporation which have been filed with the Secretary of State.

Final Underwriting Model

(Hard copy submitted and electronic copy e-mailed to rentaluw@kyhousing.org)

This document was created by KHC to assist developers in underwriting all rental projects. The Underwriting Model is available on KHC's Web site under Rental Production.

Legal Description of Property

Applicant must submit a full legal description, including metes and bounds, of the proposed project

Owner and Architect Agreement

(Required for all projects of 12 units or more; required for all projects using an architect)

The architect's documents shall be prepared in accordance with the HUD Minimum Property Standards (MPS), Uniform Federal Accessibility Standards (UFAS), the Kentucky Building Code (KBC), Universal Design, and Minimum Design Standards as adopted by KHC, applicable state and federal Fair Housing laws and meet all Housing Quality Standards (HQS).

- The architect and owner shall submit an unsigned copy of their agreement. There are various types of standard AIA documents that can be used depending upon the type of project and the relationship between the owner and architect. Only the most recent and up-to-date AIA documents should be used.
- The most commonly used agreement is the lump sum contract, which is B 141 Standard Form of Agreement between the Owner and Architect with standard form of architect's services.

ALTA Survey

A surveyor licensed in the Commonwealth of Kentucky must complete an ALTA survey. The survey shall be stamped, sealed, dated and signed by the licensed surveyor and be dated less than one year from submission date of application. The survey is to include the following:

- The survey shall be a metes and bounds survey at a preferred scale of 1 inch equals 20 feet, but can be no smaller than 1 inch equals 40 feet.
- Metes and bounds Legal Description of the property line which should also indicate setback requirements if they exist. All easements and right-of-ways should also have the metes and bounds described in the description.
- The survey shall show all right-of-ways and/or easements and north arrow.
- All roads, setback requirements and natural drainage ways.

- The survey shall show all existing improvements/conditions and/or structures that are currently on the site.
- The survey shall indicate the 100-year flood boundary, any other floodways, and a written floodplain zone determination.
- All parking, streets, walks, curbs, dumpster pads, playground areas, etc. should be included on site survey.

For acquisition with rehabilitation, a subdivision plat may be submitted in lieu of the survey. However, the plat should be of a large enough scale and show items normally found on a survey, along with proposed new buildings, sidewalks, parking areas, and utilities. These should be on a scale of one (1) inch equals twenty (20) feet. At the discretion of KHC, acquisition with rehabilitation which involves additions or new construction may require a full site survey/plot plan.

Final Construction Plans

(Required for all projects; on projects with twelve (12) or more units, plans must be prepared by a licensed design professional and bear a signature and required seals)

Final plans should address the issues identified in the Physical Needs Assessment (if applicable) for rehabilitation projects.

All plans must be at ¼" scale and be completed in accordance with the highest architectural and engineering professional standards. All plans submitted to KHC that are considered to be *final* must be dated and sealed with the architect's and engineer's stamp and signature. In addition, plans that are to be considered final plans must also be submitted to the appropriate building code officials for their review and their comments shall be incorporated into the final drawings or amended by an addendum. KHC will accept at time of technical submission verification that the plans have been sent to the appropriate building code officials for review and KHC will not complete their final review until final verification/modifications or changes are received from the building code officials. Any comments received during the application stage must also be incorporated in the final plans. If corrections to the final plans are done by an addendum, then it must be submitted for review and should contain all corrections that are necessary.

During the technical submission stage, KHC will review all final plans. All modifications or corrections will be made during the technical submission stage. The program representative/specialist will inform the applicant if additional changes or corrections will need to be made. All changes and modifications must be submitted and approved prior to KHC's commitment and final underwriting.

When required by code and/or regulations the plans must meet all accessibility requirements. At least five percent (5%) percent of the total units must be fully accessible to the mobility impaired and two percent (2%) percent of the total units must be usable by the hearing impaired or vision impaired.

- *For projects containing **12 units or more***, the construction plans must contain site plan, earthwork plans, landscaping plans, floor plans, enlarged floor plans, foundation plans, elevations, building sections or wall sections, enlarged bathroom and kitchen plans, door, window and room schedules, structural drawings (if applicable), mechanical and electrical plans.
- *For projects of **11 units or less*** the construction plans must contain site plan, earthwork plans, floor plans, enlarged floor plans, elevations, building or wall sections, mechanical drawings, and electrical drawings.

Note: Final Construction Plans should include the following:

Site plan

- Preferred scale of 1 inch equals 20 feet, but can be no smaller than 1 inch equals 40 feet.
- Property lines with metes and bounds.
- Buildings should be drawn on the site plan regardless of new construction or rehabilitation. Any other structures that are to remain should also be indicated on the site plan.
- All exterior items such as; parking, street walks, curbs, dumpster pads with enclosures, playground, community room and fences.
- Site plan should show all dimensions, setbacks, easements and right-of-ways and should be shown along with North Arrow.
- A site detail must be shown on plan or can be a separate site detail sheet. Details should describe the type of walks, curbs, handicapped parking, etc.

Earthwork Plans

(Required for projects of 12 units or more.) Earthwork and grading plans at a minimum should show the following):

- Grading contours existing and new at 2'-0 intervals unless the grade is too steep that this is not feasible.
- Storm drainage piping with manholes, headwalls and retention areas, or any other miscellaneous structures. Should show top of structure elevation as well as invert elevation.
- Show slopes greater than 3:1 with ground cover.

- Show location of soil boring test, if they apply.
- All finish grade work at buildings shall be a minimum of 8" below finish floor elevation and shall slope away from the building a minimum of 6" over the next 10'-0'.
- If retaining walls are required, they should be shown and provide a top of wall spot elevation and adjacent grade elevation.
- Earthwork details as shown. Details such as retaining walls, curb cuts, access ramps, dumpster pad, etc. must be shown on plans.

Site Utility Plan

(Required for all projects, not required for 11 units or less if the information below is included with the site survey)

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

Existing Utilities

(Required on all projects)

During technical submission, letters from the local utility companies indicating the availability and the available capacity of utilities to the proposed site must be provided. The cost of all connection fees, tap fees, and/or relocation cost, if any, should be included in the development cost. If the proposed development includes rehabilitation, a letter from the affected utilities must clearly state that the utilities are present and that the upgrades, additions and changes are acceptable.

If off-site utilities are being brought to the site by local municipalities, the letter should include the date the work will begin and the anticipated cost. Evidence should be provided that the work will be done by a specific time. Proof that the work will be paid for by local municipalities must be submitted to the satisfaction of KHC's Legal Department. If the Developer is extending the utilities to the site, they must have the utility extension completed before KHC funds can be accessed or the funds must be placed in escrow to assure completion of the utility extension.

Landscaping Plan

(Required for 12 units or more. All projects should have an adequate amount of shrubs, trees and plantings to enhance the project)

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

Foundation Plans

(Required for all projects)

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

Enlarged Floor Plans

(Required for **all** projects)

Enlarged floor plans should, at a minimum, indicate the following:

- Show all dimensions to include those that can not be shown on the 1/8 inch scale building plan.
- Exterior dimensions and all wall thickness.
- All wall types and describe each type.
- Location of firewalls and party separations walls.
- Indicate walls that will receive insulation and note the type of insulation.
- Location and sizes of all access panels.
- All doors and windows with their designation as to type.
- Show indication line as to transition between different floor finishes.
- Indicate where ceilings and soffits are dropped.
- Include closet shelving and indicate type of shelving.
- Show kitchen cabinets, vanities and toilet fixtures.
- Show room description or room number.

Elevations

(Required for **all** projects and on all sides of the buildings)

- Exterior wall finishes.

- Window and door openings.
- Roof material and the slope of the roof.
- Eave, rake and fascia conditions to include gutters and downspouts.
- Balconies, breezeways, railings and exterior steps.

Building Sections

(Required for **all** projects, can do either building sections or wall sections)

- Construction of exterior walls with footers, floor to wall details and ceiling to wall conditions.
- Floor construction and height to second floor or ceiling structure above.
- Show eave or overhang of roof to wall with materials noted and heights.
- Wall and floor insulation and give R-values.
- Roof structure and materials with notes and dimensions.

Wall Sections

(Required for **all** projects, can do either wall sections or building sections)

- Wall structure, thickness and type of interior and exterior finishes.
- Exterior grade to finish floor relationship.
- Footing details complete with notes and dimensions.
- Include the same information as requested under building section, except at a larger scale.

Enlarged bathroom and kitchen plans and elevations

(Required for 12 units or more)

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

Door, window and room schedules

(Required for 12 units or more)

- Door size, thickness, material and fire rating, if applicable. Provide elevation of each door type.
- Window size, type, operation and glazing. Provide elevations of each type.
- Door hardware schedule, example hinges, lock sets, closures, panic push bars, kick plates and weather stripping.

- Indicate room schedule with room designation or number. Provide floor finish description, base finish, wall finish, ceiling finish and notes for special finishes.
- Show all details for windows, doors and finishes as necessary.
- Provide windows in bedroom and living rooms that meet the egress as called for in the Kentucky Building Code and Housing Quality Standards (HQS).

Mechanical Drawings

(Required for **all** project types) A mechanical contractor for projects of 11 units or less may prepare schematic drawings.

- Drawings shall show plumbing supply lines and indicate size of pipe.
- Plumbing waste line and indicate size of pipe and direction of flow.
- Legends shall be placed on drawing which indicate all plumbing fixture type and manufacturer model numbers.
- Show riser diagrams for all piping to indicate size and direction of flow.
- Show all mechanical supply and return ducts along with equipment.
- Provide legends that have equipment sizes, model numbers and manufactures names.
- Miscellaneous details as necessary.

Electrical

(Required for all project types. A mechanical contractor for projects of 11 units or less may prepare schematic drawings.)

- Show all electrical outlets, switches and circuits for all areas.
- Show location of light fixtures, panel boxes and switch gear.
- Provide GFI circuits and outlets where required.
- Show exterior lighting if applicable and emergency lighting.
- Provide a legend that further describes light fixtures, circuit breakers and other miscellaneous items.

Structural Drawings

(Required for 12 units or more only on occasion when larger scale developments may be required to include structural drawings, provide structural drawings when necessary. The developer will be notified by KHC if this is needed.)

- Floor framing plans, complete with details and sections that fully describe the structural system of the floor.
- Roof and/or ceiling framing systems with details that clearly indicates all details and conditions.
- Foundation systems with associated details for all conditions that exist.

- Miscellaneous details that cover all aspects of the structural system that are involved.

Final Specifications/Work Write-Up

(Specifications are required on all projects, a work write-up may be used in lieu of specifications on rehabilitation projects of 11 units or less or minor rehabilitation)

During the technical submission stage, KHC’s design and construction staff will review the final specifications/work write-up in conjunction with the final plans. All modifications or corrections will be made during the technical submission stage. If changes occur during the review of the final plans that may cause a change in the specifications/work write-up, the program representative/specialist will inform the applicant if additional changes or corrections will need to be made. All changes and modifications must be submitted and approved prior to KHC’s commitment and final underwriting. Any previous review comments during the application stage shall be corrected and incorporated into the final specifications. Final Specifications should address the issues identified in the Physical Needs Assessment if applicable for rehabilitation projects.

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

Specifications

(Required for all projects)

All specifications shall be written following the standard CSI format. Specifications shall include the standard A.I.A documents, such as, general requirements, contract for construction, performance bond, etc. The architect must write the specifications in accordance to accepted standards, rules and regulations. The specifications must specify products by model number and manufacturer for the sole purpose to use as a guide for the contractor. It should never be the intent of the specification to limit the contractor to one or two manufacturers.

All documents that pertain to the contract for construction shall be included. The specifications should include the following 16 divisions:

- | | |
|------------------------------------|--------------------------|
| 1. General Requirements | 9. Finishes |
| 2. Site work | 10. Specialties |
| 3. Concrete | 11. Equipment |
| 4. Masonry | 12. Furnishings |
| 5. Metals | 13. Special Construction |
| 6. Carpentry | 14. Conveying equipment |
| 7. Thermal and moisture protection | 15. Mechanical |
| 8. Door and windows | 16. Electrical |

The architect should be explicit in each section to clearly define the following:

- Scope of work.
- Products and/or materials.
- Quality assurance, testing and quality control.
- Execution and/or installation.
- Submittals and samples.
- Warranties and/or guaranties.

The specifications should be written to describe the means and methods to accomplish the work during bad weather conditions and should also include the following:

- Project description.
- Bidder instructions, if applicable.
- Wage scale and Davis-Bacon requirements, if applicable.
- Copy of the general contractor's agreement.
- General and supplemental conditions.

Final Work Write-Up Description

(Required for all rehabilitation projects)

During the technical submission stage, KHC's design and construction staff will review the final work write-up in conjunction with the final plans. All modifications or corrections will be made during the technical submission stage. If changes occur during the review of the final plans that may cause a change in the work write-up, the program representative/specialist will inform the applicant if additional changes or corrections will need to be made.

Final Cost Estimate

(Required for **all** projects, except acquisition only)

The final cost estimate may be altered after KHC has completed the technical submission review on the final construction plans, outline specifications and final underwriting. The program representative/specialist will contact the applicant if an updated Final Cost Estimate is needed.

The cost estimate shall indicate the actual amount that will be spent on each line item during construction. This document will be utilized throughout the course of construction for disbursement of funds. No soft costs should be included on any of the line items for this breakdown. The final cost breakdown and the final sources and uses must match.

The cost estimate can be one of three different forms:

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

Whichever form is used, be sure to apply the correct cost with the line item that best describes the work.

If the AIA document is used, the breakdown should be very detailed.

Letter from Housing, Building and Construction or proof of local approval of plans

(Required on all projects)

The local Department of Housing, Building and Construction (HBC) or other local jurisdictions that have a state licensed building inspector in the county where the project is located must review and approve the plans and specifications. If the local jurisdiction has no state licensed building inspector, then the developer should obtain approvals from the State Department of Housing Building and Construction in Frankfort if the project consists of two (2) or more attached units (subject to change by policies of HBC).

A letter must be submitted to KHC acknowledging the approval of the plans and specifications. If the applicant can not receive final approval before the due date of the technical submission packet, then the applicant must submit verification that plans have been forwarded for review. KHC will not be able to give final approval until final documentation is received and approval is received from either the local inspector or state inspector.

If there are changes made by local or state officials, these changes must be reflected on the final plans and or an addendum's will need to be submitted to KHC for final approval.

Design Architect's Certification

(Required for all projects in which the services of an architect are utilized.)

The Project Design Certification is to be completed and signed by the recipient and project architect that certify that the plans and specifications comply with all local building codes, rules and regulations as set forth by the authorities in jurisdiction, Fair Housing Requirements, Universal Design and Minimum Design Standards. A copy of this form is included on the Kentucky Housing Corporation website (www.kyhousing.org) in the Rental Production section.

Architect's Certification of Accessibility

(Required for all projects in which the services of an architect are utilized.)

The Project Architect must certify that the project design is in conformance with the Fair Housing Act of 1988, KHC Minimum and Universal Design Standards, Uniform Federal Accessibility Standards, Section 504 of the Rehabilitation Act of 1973, Americans with Disabilities Act Accessibility Guidelines and any other state or local code or regulation pertaining to design or inclusion of rental housing accessibility features. This form is located on KHC's Web site under the Housing Production, Design and Construction section.

Lead-Based Paint Abatement, Inspection or Assessment

(Required on rehabilitation projects constructed prior to 1978 and receiving HOME, Project Based Assistance and the Risk-Sharing Program will be subject to the new lead-based paint regulations of 24 CFR 35)

Please refer to KHC's Web site on the Housing Production page under Design and Construction. *See Resources*. There are several links listed that will provide resources for information pertaining to lead-based paint abatements, inspections and risk assessments.

REScheck Documentation

(<http://www.energycodes.gov/rescheck/download.stm>)

If a project is not required to meet Minimum Design Standards, then the architect or developer must provide a letter that explains how the design of the development will provide the most efficient insulation and heating system.

If a project is required to meet Minimum Design Standards, then the applicant may choose to submit a ResCheck calculation that indicated the proposed design exceeds the Kentucky Energy code by 20 percent (which is a free download from the U.S. Department of Energy), or

The applicant may elect to use one of the two methods provided in the Minimum Design Guidelines located on KHC's Web site on the Housing Production page under Design and Construction.

Environmental Review

(HOME or Risk-Sharing funds, KHC to complete)

All properties intended to be developed with HUD assistance (including HOME funds) must have an environmental review to ensure that the proposed project does not negatively impact the surrounding environment and that the property site itself is safe for development. An environmental review is the process of reviewing a project and its potential environmental impacts to determine whether it meets federal, state, and local environmental standards. The environmental review process is triggered when a Recipient utilizes HOME or Risk Sharing Funds to purchase, or intends to purchase, rehabilitates, intends to rehabilitate any property with HUD funds. Not every project is subject to a full environmental review (i.e., every project's environmental impact must be examined, but the

extent of this examination varies), but every project must be in compliance with the National Environmental Protection Act (NEPA), and other related Federal and state environmental laws. KHC performs this review for all recipients except units of local government who must perform the review themselves.

Phase I Environmental Site Assessment/Report

(Required for **all** projects which include HOME, Risk Sharing, Project-Based Section 8 or Housing Credits as **any** portion of funding)

The purpose of an environmental site assessment is to determine whether a particular parcel of land or real estate has the actual or likely presence of any hazardous substances or petroleum products. These conditions could be due to an existing release, a past release, or a material threat of any products found on the property, in the ground, ground water, or surface water of the subject property or surrounding properties. The range of contaminants shall be within the scope of Comprehensive Environmental Response, Compensation and Liability Act (CERCLA).

The scope of this practice includes research and reporting requirements that support the user's ability to qualify for the innocent landowner defense. Documentation of all sources, records and resources utilized in conducting the inquiry must be provided in the written report.

Individuals or agencies must be experienced in this field of work and have current knowledge of all related federal and state law requirements. All reports shall be prepared in accordance with the standards set forth in ASTM E1527 and ASTM E1528. For more information, refer to WWW.ASTM.ORG.

KHC's environmental risk management policy requires all land development loans in excess of \$200,000, all KHC funding for site-specific projects in excess of \$500,000 (including homeownership neighborhood and/or subdivision developments), all HOME projects of 5 units or more, all Risk-Sharing projects, and all Tax Credit projects will require a Phase I environmental assessment and must conform to proper American Society for Testing and Materials (ASTM) standards.

Please note that on HOME and Risk-Sharing projects it is important to submit the Phase I early in the technical submission stage. KHC requires the Phase I in order to proceed with the HUD environmental review process. A commitment cannot be executed until the HUD environmental is complete.

KHC reserves the right to request a Phase I environmental study on any project deemed necessary including those in which an appraisal indicates evidence of actual or possible environmental liability.

The policy of KHC is to minimize the risks associated with environmental liability defined under federal, state, and local laws and regulations by conducting an appropriate inquiry and taking other appropriate precautions related to real property used to secure loans. When evaluating potential loans, this policy also includes an investigation into the borrower's potential environmental liabilities as they may affect the borrower's financial condition and ability to repay the loan. It is KHC's policy when servicing loans to take precautions to avoid foreclosing on contaminated property or become overly involved in the borrower's operations and affairs for which KHC may become liable in the event of environmental problems attributable to activities of the borrower.

Phase II Environmental Site Assessment/Report

(As required per Phase I Report)

If an environmental hazard is identified during the Phase I Environmental Site Assessment (ESA), or if a known hazard exists based on past usage, a Phase II ESA will evaluate suspect areas identified on the subject property. KHC will not proceed with a project until the Phase II is submitted and reviewed.

During the Phase II, soil samples and boring collected in suspect locations. Samples are collected, preserved, shipped to a laboratory according to standard industry methods. Ground water samples are collected from the borings or permanent monitoring wells located on the property. The Phase II ESA report describes the soil borings completed, soil texture, soil and ground water analytical results, and presents the data in tabular format with a map illustrating the sampling locations and plan of site.

Subsurface Investigation Report

(Required on developments requesting Risk-Sharing Funds and on projects of 12 or more units or as deemed necessary per site visit by construction specialist)

A soils engineer is required to perform the soils report and provide information concerning the soil boring. The report shall include a site plan with the location of where the soil boring testing occurred along with the results. Test boring shall be located in critical areas where buildings are proposed. Footing designs and recommendations are required to be included within the report.

Davis-Bacon Wage Rate Request

(HOME projects of 12 or more assisted units; or Project-Based projects of 9 or more assisted units; or projects with Risk Sharing construction financing for new construction or substantial rehab of 12 or more units.)

The Federal Davis-Bacon Act wage rate requirements apply to contracts for the development of 12 or more HOME assisted/designated units. The Davis-Bacon Act requires that workers receive no less than the prevailing wages being paid for similar work in the locality. Prevailing wages are computed by the Department of

Labor and are issued in the form of a Federal Wage Determination. The Wage Determination lists each classification of workers who will work on the project and the rates that must be paid to each classification.

Utility Letter(s)

(If not provided at application)

During technical submission, letters from the local utility companies indicating the availability and the available capacity of utilities to the proposed site must be provided. The cost of all connection fees, tap fees, and/or relocation cost, if any, should be included in the development cost. If the proposed development includes rehabilitation, a letter from the affected utilities must clearly state that the utilities are present and that the upgrades, additions and changes are acceptable.

If off-site utilities are being brought to the site by local municipalities, the letter should include the date the work will begin and the anticipated cost. Evidence should be provided that the work will be done by a specific time. Proof that the work will be paid for by local municipalities must be submitted to the satisfaction of KHC's Legal Department. If the Developer is extending the utilities to the site, they must have the utility extension completed before KHC funds can be accessed or the funds must be placed in escrow to assure completion of the utility extension.

Appraisal

Appraisals are required on projects where KHC's total loan amount (including HOME deferred and forgivable loans) is \$250,000 or more, with the exception of Risk Sharing loans, in which case an appraisal is required regardless of the size of the loan. KHC reserves the right to request an appraisal on any project utilizing KHC funds. Appraisals must be received during the Technical Submission Stage.

The applicant will work with the appraiser directly throughout the appraisal process. If the applicant is planning to use KHC's appraisal to meet the Syndications' requirement, the Syndicator's guidelines must be provided to the appraiser and cost negotiations will occur at the time of first contact.

Housing Credit projects that are not requesting KHC loan funds but are requesting acquisition credit must provide an appraisal supporting the building basis for purposes of determining the proper amount of housing credit reserved. The appraisal must provide at a minimum the "as-is" market value of the building and a separate site value for the land. Eligible basis will be limited to the bases determined by the required final cost certification.

Applicants MUST choose an appraisal firm or individual listed on KHC's approved list located at www.kyhousing.org under Housing Production Rental Programs.

Baseline APPS completed (All principles involved) for Previous Participation Certification

(Risk-Sharing funds only)

All principals in the Risk Sharing project will have to submit an electronic Previous Participation Certificate to HUD. Failure to register and complete the data input required by APPS will restrict new and revised participation until after system inputs are completed. Each entity must complete the Baseline Information first. This information is only required one time for the partnership regardless if the partnership has more than one project. Once this information is entered, the Baseline Information will not have to be completed again unless to add new properties, a member of the partnership changed, address change, etc. The APPS Industry Tutorial Program and User Guide, located at <http://www.hud.gov/offices/hsg/mfh/apps/appsmfhtm.cfm> will provide information on how to register in HUD's Secure System.

Additional items needed that were not submitted with the application

(Additional items may be spelled out in the technical submission letter or on the technical submission checklist)

KHC may identify additional items that need to be submitted prior to the release of funds or moving into the next stage.

These are items that must be sent in addition to the items listed above if requesting Low Income Housing Tax Credits:

Owner/Recipient Information

Recipients of housing credits must submit a letter that includes the following:

- Owner & General Partner federal identification numbers
- Exact name and address of owner as it will appear on IRS Form 8609
- Exact street address including zip code for all buildings in the project (include number of buildings)

Seven (7) percent reservation fee

(Due within two weeks of receipt of technical submission letter)

The amount of reservation fee due will be identified in the award letter sent to the applicant at the time of funding announcements and is calculated as a percentage of the total amount of credit received.

Draft syndication agreement or letter of intent including syndication proceeds

Applicant/developer receiving housing credits must submit a copy of the draft syndication agreement which includes a tentative pay-in schedule with

milestones and cents on the dollar being paid. The final syndication agreement will be required before final underwriting is completed.

Partnership Agreement and Certificate of Limited Partnership as filed with the Secretary of State

The Partnership Agreement governs relations among the partners and between the partners and the partnership and Certificate of Limited Partnership documents such partnership was formed and is a legal entity. This document must be filed with the Secretary of State and a copy of the filed document must be submitted to KHC.

Estimated project cost breakdown by building

Documentation will be required that shows the estimated cost of each building for the project. Example: If the project consists of four buildings, four separate cost breakdowns must be submitted (one for each building).

Updated project completion schedule

Projects that are delayed for any reason must submit an updated project completion schedule identifying project milestones and the anticipated date they will be met.

Owner certification of federal, state, or local loans and/or grants

(Form located on KHC's Web site on the Rental Production page under "Additional Housing Credits Reference Material")

KHC is required to ensure that the amount of housing credit allocated to a project does not exceed the amount necessary for the financial feasibility of the project. In making this determination, KHC will consider, among other things, the amount of subsidy the project is receiving.

Evidence of having incurred more than 10% of total project costs or a written request for 10% test extension

Projects allocated housing credits must be placed in service by the end of the calendar year in which the credits were allocated or they must submit a carryover request. If the project will not be placed in service prior the end of the allocation calendar year, the recipient must either submit evidence of having incurred more than 10 percent of the total project cost or the recipient may submit a written carryover request for an additional 12 months to submit this evidence.

Gross Rent Floor Election

(Form located on KHC's Web site on the Rental Production page under "Additional Housing Credits Reference Material")

The Internal Revenue Service (IRS) will treat the gross rent floor as taking effect on the date KHC initially allocates tax credits to the building. However, the IRS will treat the gross rent floor as taking effect on the building's placed-in-service

date **IF** the owner designates that date instead and **so informs KHC prior to the placed-in-service date of the building.**

Additional items needed if requesting HOME or AHTF funds:

Project Set-Up Report

(HOME projects only; required after executed funding agreement. Form located on KHC's Web site on the Rental Production page under "Reference Materials" and "Rental HOME Packet")

HUD requires that all HOME funds allocated to a project be reserved at the Treasury via the Integrated Disbursement and Information System (IDIS). The project set-up report form is the HUD document that the recipient must complete and submit to KHC to report project-specific information, performance measures and use of HOME funds.

Anti-Displacement & Relocation Assistance Plan

HOME & AHTF (See Section 11 of Homeownership Implementation manual found on Rental Production page for guidance)

For ALL rehabilitation projects, a plan for relocation must be submitted; regardless if the building is vacant or occupied.

All projects involving current tenants (regardless of whether or not they will be relocated) must submit a relocation plan. This will primarily be a practical narrative explaining the relocation situation for your particular project. **All projects subject to this requirement should discuss this with their KHC program representative/specialist or KHC's environmental/relocation specialist as early in the planning phase as possible. This issue must be discussed with the appropriate KHC program representative/specialist prior to application submittal.**

AHTF Relocation Requirements

All very-low income persons (defined as 60 percent AMI and below for purposes of AHTF) displaced by the project must be provided reasonable relocation expenses. Reasonable relocation costs equal the applicable dollar amount as defined by the U.S. Federal Highway Administration (FHWA)'s Uniform Relocation Assistance and Real Property Acquisition Policies Act, as Amended, Fixed Residential Moving Cost Schedule, plus a one time assistance payment of \$300 per applicable unit. You can view the schedule at: <http://www.fhwa.dot.gov/realestate/fixsch96.htm>. In the event displaced persons are eligible for federal relocation benefits, no additional relocation benefits are required as a result of this policy.

HOME Relocation Requirements

(Information provided is not all inclusive, you should refer to HUD's Web site www.hud.gov for more detailed information)

If your project will be funded with HOME or any other federal funding sources you are required by law to follow the Uniform Relocation Act (URA). URA was passed by Congress in 1970. It is a federal law that establishes minimum standards for federally funded programs and projects that require the acquisition of real property (real estate) or displace persons from their homes, businesses, or farms.

The Fifth Amendment of the U.S. Constitution states that “**private property**” shall not be taken without payment of “**just compensation**” and that “no person shall be deprived of life, liberty, or **property** without due process of the law.” These constitutional rights form the basis of the URA's protections for property owners.

The Uniform Act's protections and assistance apply to the acquisition, rehabilitation, or demolition of real property for federal or federally funded projects. The government-wide regulation that implements the URA is detailed in 49 CFR Part 24. HUD Handbook 1378 provides HUD policy and guidance on implementing the URA and 49 CFR Part 24 for HUD funded programs and projects.

URA Objectives

- To provide uniform, fair and equitable treatment of persons whose real property is acquired or who are displaced in connection with federally funded projects
- To ensure relocation assistance is provided to displaced persons to lessen the emotional and financial impact of displacement
- To ensure that no individual or family is displaced unless decent, safe, and sanitary housing is available within the displaced person's financial means
- To help improve the housing conditions of displaced persons living in substandard housing
- To encourage and expedite acquisition by agreement and without coercion

Responsibilities of URA

If your project requires compliance with URA, you will have certain legal responsibilities to the affected property owners and displaced persons. Plan accordingly to ensure that adequate **time, funding and staffing** are available to carry out those responsibilities. Some of those responsibilities include:

- **For Real Property Acquisition**
 - Appraise property before negotiations
 - Invite the property owner to accompany the appraiser during the property inspection
 - Provide the owner with a written offer of just compensation and a summary of what is being acquired
 - Pay for property before possession
 - Reimburse expenses resulting from the transfer of title such as recording fees, prepaid real estate taxes, or other expenses.

- **For Residential Displacements**
 - Provide relocation advisory services to displaced tenants and owner occupants
 - Provide a minimum 90 days written notice to vacate prior to requiring possession
 - Reimburse for moving expenses
 - Provide payments for the added cost of renting or purchasing comparable replacement housing

- **For Nonresidential Displacements (businesses, farms, and nonprofit organizations)**
 - Provide relocation advisory services
 - Provide a minimum 90 days written notice to vacate prior to requiring possession
 - Reimburse for moving and re-establishment expenses

Issues to Consider During Planning

- **Minimizing Displacement:** HUD requires that all reasonable steps be taken to minimize displacement as a result of a HUD-assisted project.

- **Budgetary Implications:** Planning is essential to ensure that sufficient funds are available to comply with all applicable requirements. You

should plan to insure your project budget includes realistic estimates for acquisition and relocation expenses.

- **Coordination of the Project:** Steps should be taken to coordinate activities and facilitate cooperation among government agencies, neighborhood groups, and persons affected by the project.
- **Determining Resource Needs:** During the planning stage, HUD recommends that you review the applicable relocation policies, staffing needs, and training or other capacity building needs to anticipate any issues that may hinder the acquisition and relocation process.
- **Administrative Requirements:** You must adhere to the HUD administrative requirements involved in the planning for acquisition and relocation projects.

Who is a Displaced Person?

Generally, a displaced person under the URA is an individual, family, partnership, association, corporation, or organization, which moves from their home, business, or farm, or moves their personal property, as a direct result of acquisition, demolition or rehabilitation for a federally funded project. Displaced persons are eligible for relocation assistance under the URA.

Who is not displaced?

Generally, persons not displaced are not eligible for relocation assistance under the URA. Examples of persons not displaced include, but are not limited to, the following:

- Persons displaced temporarily from their dwelling for less than 12 months while it is being rehabilitated
- Illegal aliens; the URA prohibits providing relocation assistance to persons not lawfully present in the U.S.

The URA contains specific definitions of a "displaced person" and "persons not displaced." These definitions, in addition to the HUD handbook, should be used when making any determinations of relocation eligibility.

Required Notices

The URA regulations require three notices to be issued to eligible persons. These notices provide important information about the project, the affected person's resulting rights, their protections, and their eligibility for relocation

assistance and payments under the URA. It is critical that you issue appropriate notices to the persons affected at the appropriate time.

One of the most important URA notices is the **90-Day Notice**. No person shall be required to move without a minimum of 90 days written notice of the required date of the move.

HUD has specific requirements relating to the three URA notices and also requires additional notices be issued when conducting acquisition and relocation activities for HUD funded programs and projects. Please refer to HUD Handbook 1378 or HUD's Web site www.hud.gov for more information.

- **General Information Notice (GIN)** Informs affected persons of the project and that they may be displaced by the project. ***(Copies provided to KHC at application for all current residents)***
- **Notice of Relocation Eligibility:** Informs persons that they will be displaced by the project and establishes their eligibility for relocation assistance and payments. This notice may not be issued unless a comparable replacement dwelling is available and the displaced person is informed of its location and has sufficient time to lease or purchase the property. ***(Copies provided to KHC for all current residents at Technical Submission)***
- **90-Day Notice:** Informs displaced persons of the earliest date by which they will be required to move. ***(Copies provided to KHC for all current residents at technical submission)***
- **Residential Relocation Management Report:** located in HUD Handbook 1378, Appendix 21 ***(Copy provided to KHC at completion/placed in service)***

Relocation Advisory Services

In addition to being required by law, relocation advisory services are the single most important part of a successful relocation program. Relocation advisory services are required to be provided to all eligible displaced persons including nonresidential displaced persons. Relocation advisory services must:

- Determine the needs and preferences of displaced persons
- Explain available relocation assistance
- Explain a person's right to appeal if dissatisfied with agency decisions
- Offer and provide transportation to locate replacement housing
- Offer other assistance (e.g. social services or financial referrals, housing inspection, etc.)

- Provide current and ongoing listings of comparable dwellings for residential displacements and replacement sites for businesses
- Supply information on other federal and state programs offering assistance
- Provide counseling and other assistance to minimize hardship in adjusting to relocation
- And other required and appropriate assistance

Relocation Assistance

In addition to relocation advisory services, residential displaced persons may be eligible for other relocation assistance including relocation payments for moving expenses and replacement housing payments for the increased costs of renting or purchasing a comparable replacement dwelling.

The URA provides the following moving payment options:

- Payment for the actual, reasonable moving costs and related expenses, or
- Payment based on a fixed schedule
- Or a combination of both based on circumstances

In cases where the move is provided for a displaced person at no cost, the displaced person should receive a \$100 expense and/or dislocation allowance.

Replacement Housing Payments

The URA provides for different replacement housing payments (RHP) based on a displaced person's occupancy status and length of occupancy. Tenant occupants may be eligible for a rental assistance payment to supplement the costs of leasing a comparable replacement dwelling, or down payment assistance payment to purchase a replacement dwelling. Owner occupants may be eligible for a price differential payment, mortgage interest differential payment, or incidental payments to supplement the costs of purchasing a comparable replacement dwelling.

- **For tenant occupants of 90 days or more**
A rental assistance payment is based on the difference, if any, between the cost of the monthly rent and utilities of the displacement dwelling and a comparable decent, safe, and sanitary replacement dwelling. The URA established a 42 month period for supplementing this payment difference, for a total amount up to \$5,250.
- **It is important to note that a rental assistance payment should be based on income for low-income persons.** (Please see 49 CFR 24.402(b) and **FHWA's Low Income Calculations** for additional information.)

Furthermore, tenant occupants may be eligible to use their rental assistance payment as a down payment for the purchase of a replacement dwelling.

- **For owner occupants of 180 days or more**
A price differential payment is based on the difference, if any, between the acquisition price of the acquired dwelling and the purchase price of a comparable decent, safe, and sanitary replacement dwelling, as determined by the agency. The URA established a maximum amount of \$22,500 for a RHP for 180 day owner occupants.
- **For owner occupants of 90 to 180 days**
Short-term owners may be eligible for similar assistance as tenant occupants listed above.

The URA requires that comparable decent, safe, and sanitary replacement (DSS) housing within a person's financial means be made available before that person may be displaced. When such housing cannot be provided by using replacement housing payments, the URA provides for "housing of last resort." Housing of last resort may involve the use of replacement housing payments that exceed the URA maximum amounts. Housing of last resort may also involve the use of other methods of providing comparable decent, safe, and sanitary housing within a person's financial means.

You have broad flexibility in the use of housing of last resort. It is intended to enable agencies to respond to difficult or special displacements, but it should **not** be used as a substitute for lack of time or lack of relocation advisory services.

Remember that it is crucial to identify potential housing of last resort situations early so that they may be addressed in a proper manner.

Temporary Relocation

Sometimes a project may require persons to be displaced from their dwellings for only a short period of time. Although temporarily displaced persons do not receive the same relocation assistance and payments as persons permanently displaced under the URA, they do have certain rights and protections.

When necessary or appropriate, residential tenants who will not be required to move permanently may be required to relocate temporarily for the project. **Temporary relocation should not extend beyond one year before the person is returned to his or her previous unit or location.** Any residential tenant who has been temporarily relocated for more than

one year must be offered all permanent relocation assistance that may not be reduced by the amount of any temporary relocation assistance previously provided.

All conditions of temporary relocation must be reasonable. At a minimum, the tenant shall be provided the following:

- Reimbursement for all reasonable out-of-pocket expenses incurred in connection with the temporary relocation, including the cost of moving to and from the temporarily occupied housing and any increase in monthly rent or utility costs at such housing.
- Appropriate advisory services, including reasonable advance written notice of the following:
 - Date and approximate duration of the temporary relocation;
 - Address of the suitable decent, safe, and sanitary dwelling to be made available for the temporary period;
 - Terms and conditions under which the tenant may lease and occupy a suitable decent, safe and sanitary dwelling in the building/complex upon completion of the project; and
 - Provisions of reimbursement for all reasonable out of pocket expenses incurred in connection with the temporary relocation as noted above.

Section 104(d) Requirements

- Replacement, on a one-for-one basis, of all occupied and vacant occupiable low- or moderate-income dwelling units that are demolished or converted to a use other than low- or moderate-income housing, and
- Provision of certain relocation assistance to any lower income person displaced as a direct result of the following activities in connection with federal assistance:
 - Demolition of any dwelling unit, or
 - Conversion of a low- or moderate-income dwelling unit to a use other than a low- or moderate-income residence.

Section 104(d) requirements are triggered by the use of HOME, CDBG, Section 108 Loan Guarantee, or UDAG funding in a project involving the demolition or conversion of low- or moderate-income housing.

Relocation Requirements under Section 104(d)

The relocation assistance and payments for eligible persons under Section 104(d) are similar to those required for the URA but there are a number of differences. One significant difference between the laws is the period of time used to calculate a rental assistance payment; Section 104(d) factors in 60 months vs. 42 months for URA. Section 104(d)-eligible displaced persons may choose to receive relocation assistance under Section 104(d) or under URA.

What are the guiding regulations for Section 104(d) relocation requirements?

Section 104(d) Regulations: **24 CFR Part 42** is the regulation that implements Section 104(d) of the Housing and Community Development Act.

It is recommended that you visit **HUD's Real Estate Acquisition and Relocation Web Site** for all your acquisition and relocation needs. There, you will find the following information and much more, including:

Laws and Regulations

Policy and Guidance

Training

Publications

HUD Contacts

There are additional relocation requirements when applying for HOME funds or Affordable Housing Trust Fund (AHTF) funds. Note that the requirements of these two programs are not the same. Please review these requirements in their respective program's funding specifics section of this manual.

Binding Final Executed Commitment Letters

The documents must contain the estimated dollar amount of the equity investment or loan amount to be provided to the project, the interest rate and term, if loan proceeds are involved, the collateral for the project, if a loan is involved and the anticipated pay-in schedule for the equity contributions, subject to final underwriting of the project and other reasonable adjustments prior to closing.

Authorized Signature Form

This document is required prior to KHC dispersing any funds. There are at least two different signatures required on this form, and it is used as a means of checks and balances for KHC; one person signs the draw request form, and another should sign the check – the same person may not sign both. The signature form must be signed by the top official of the organization (i.e., CEO, Mayor, etc.).

Section 504 Self Evaluation and Transition Plan

The Section 504 Self-Evaluation is a tool that recipient of federal funds use to determine their current level of compliance with the 1978 amendments to Section 504, as well as identify areas of potential non-compliance that need to be addressed.

A self-evaluation of all aspects of the organization, including all buildings or facilities for physical accessibility, program outreach and communication, eligibility and admission criteria and practice, distribution and occupancy policy and practice, percentage of accessible units, employment (including pre-employment) and complaint processing procedures. It must be prepared by the recipient in consultation with individuals with disabilities or organizations representing them. It is required for all recipients with 15 or more employees must keep on file for at least three years.

A transition plan is mandatory if structural changes to facilities are needed to achieve program accessibility. The plan must be developed with the assistance of individuals with disabilities or organizations representing them. A copy of the plan must be made available for public inspection. The plan should identify the physical obstacles that limit accessibility, include a detailed description of methods that will be used to make facilities accessible, the schedule for each step of the process. All structural changes must be made within six months of project funding.

Resolution accepting HOME Funds

This document is considered the formal acceptance of the HOME Investment Partnership Program funds (HOME) and is either a Board Resolution or a copy of the unit of Local Government's approved board minutes. For private developers, KHC accepts a letter on the entity's letterhead stating they accept the HOME funds and all the responsibilities of said funds. The document should contain the amount of HOME funds, the use of HOME funds, the person authorized to execute HOME-related documents and the date of acceptance.

Third Party Administrative Contracts

KHC requires a copy of all third parties administrative contracts so that we can verify who will be responsible for what. This document should be fully executed and outline all parties responsibilities.

Procurement Policy

This document is required for all units of local governments and non-profits and governs the procurement of all goods and services in association with the federal funds. The policy must fully comply with 24 CFR Part 84 for non-profit organizations or Part 85 for units of local governments.

HOME Administrative Certification Form

This document is required for all recipients of HOME funds. It outlines many of the requirements for the use of the HOME funds. It must be signed by the top official of the organization (i.e., CEO, Mayor, etc.)

Site and Neighborhood Standards Questionnaire

Each recipient must administer its HOME funds in a manner that provides housing that is suitable from the standpoint of facilitating and furthering full compliance with the applicable provisions of title VI of the Civil Rights Act of 1964 and promotes greater choice of housing opportunities. This form must be completed and submitted to KHC for review and approval prior to release of HOME funds.

AHTF Administrative Certification Form

This document is required for all recipients of AHTF funds. It outlines many of the requirements for the use of the AHTF funds. It must be signed by the top official of the organization (i.e., CEO, Mayor, etc.).

Additional Requirements

Lead-Based Paint Abatement, Inspection or Assessment

(Required on rehabilitation projects constructed prior to 1978 and receiving HOME, Project Based Assistance and the Risk-Sharing Program will be subject to the new lead-based paint regulations of 24 CFR 35)

Please refer to the KHC's Web site, www.kyhousing.org on the Housing Production page under Design and Construction. *See Resources*. There are several links listed that will provide resources for information pertaining to lead-based paint abatements, inspections and risk assessments.

Archeological Survey (Required during the technical submission stage if requested by SHPO)

- When nonprofits and units of local government request HOME funds and an archeological survey is required, the developer may receive reimbursement for the survey through HOME administration funds. These funds are above the amount of HOME funds originally awarded to the project. KHC reserves the right not to pay for additional surveys if they are required and reserves the right to withdraw the commitment. Non-profit organizations must complete a bid process consistent with the applicable procurement policy. The environmental specialist can provide a list of agencies that the State Historic Preservation Officer (SHPO) has approved for these services. If the project is not able to move forward or KHC decides not to continue with the project, KHC reserves the right to require a refund of all archeological related payments made to the developer.

- When HOME funds are not requested but an archeological survey is required, the developer is responsible for payment for the archeological survey and cannot receive reimbursement from HOME administration funds, however payment can be absorbed through soft costs already included in total project costs.
- For-profit developers requesting HOME funds for a project of less than 12 units may receive reimbursement for the survey, if required, in the same manner as is described for non-profits and units of local government. Even though for-profit organizations are not subject to procurement policies like non-profit organizations, they will still be required to follow a bid process, requesting at least three bids, to demonstrate they have received the best possible price.
- For all projects of 12 units or more being developed by a for-profit entity when an archeological survey is required, the developer is responsible for payment of the archeological survey and cannot receive reimbursement from HOME administration funds; however payment can be absorbed through soft costs already included in total project costs.

EXHIBIT A
Technical Submission Checklist

Project Name: _____

**KHC Use Only
Received**

Approved	Item			
	1. Tenant Selection Plan			
	2. Affirmative Marketing Plan	5 units or more		
	3. Drug Free Workplace Certification			
	4. Fair Housing Plan	Fed Funds only		
	5. Sample Lease Documents	Not required for acquisition only		
	6. A-95 clearing House Letter	Requesting HOME & Risk-Sharing		
	7. Title VI Self-Survey & Assurance	Fed Funds only		
	8. Proof of Match & other funding Commitments	(as indicated on application)		
	9. Historic Preservation Letter	Historic housing credit projects only		
	10. By-laws & Articles of Incorporation			
	11. Final underwriting model (hard copy & electronic)	Not required for acquisition only		
	12. Legal description of property	(Should match description on survey)		
	13. Owner/Architect Agreement	12 units or more or if architect is involved with 11 units or less (fee should match sources and uses)		
	14. ALTA Survey	<u>Must stamped, sealed and signed.</u>		
	15. Final Construction Plans	(Refer to Guidelines)		
	16. Final Specifications/Work write-up	(Refer to Guidelines)		
	17. Final Cost Estimate	HUD form 2328 (construction cost breakdown), AIA documents G-702 & G-703 or KHC Payment Request Form (contact rep for form)		
	18. Letter from Housing, Building & Construction or proof of local approval of plans	If final approval has not been given, submit documentation to show plans are in review. (Final approval will not be granted until letter is received)		
	19. Design Architect Certification	Required for all projects with an architect involved.		
	20. Architect's Certification of Accessibility	Required for all projects with an architect involved.		
	21. Lead Based Pint Abatement, Inspection or Assessment	Rehabilitation projects constructed prior to 1978 only (Housing Prod.>Design & Construction)		
	22. Environmental Review	HOME or Risk-Sharing, KHC to complete.		
	23. Phase I Environmental Report	Refer to the KHC's Phase I Environmental Policy		
	24. Phase II Environmental Report	If applicable as required in Phase I		
	25. Davis-Bacon Wage Rate Request	HOME projects of 12 or more assisted units; or Project-Based projects of 9 or more assisted units; or projects with Risk Sharing <u>construction financing</u> for new construction or substantial rehab of 12 or more units.		
	26. REScheck Documentation)	http://www.energycodes.gov/rescheck/download.stm		
	27. Utility Letter(s)	Provide if not provided at application		
	28. Appraisal	Required for projects requesting Housing Credits for acquisition or a loan or forgivable loan. (not ordered by KHC, see KHC's appraisal policy)		
	29. Subsurface Investigation/Soils Report	Risk-Sharing or 12 or more units or as deemed necessary.		
	30. Baseline APPS completed (all principles involved) for Previous Participation Certification	Risk-Sharing only		
	31. Additional items needed that were not submitted with the application	Program Representative/Specialist will notify applicant of additional items		

Additional items needed if requesting Housing Credits

Item		KHC Use Only	
		Received	Approved
1. Owner & General Partners federal ID numbers.			
2. Seven percent reservation fee.	Due within two weeks of receipt of tech sub letter		
3. Draft syndication agreement or letter of intent including syndication proceeds.			
4. Partnership Agreement and Certificate of Limited Partnership as filed with the Secretary of State.			
5. Estimated project cost breakdown by building			
6. Updated project completion schedule			
7. Exact name and address of owner as it will appear on IRS Form 8609			
8. Exact street address including zip code for all buildings in the project. (include number of buildings)			
9. Owner certification of federal, state or local loans and or grants	Found on Rental Production page under Add'l Housing Credit Reference Material		
10. Evidence of having incurred more than 10% of total project cost or a written request for 10% carryover extension.	Must be prepared by an independent certified public accountant using the KHC-approved format (Found on Rental Production page under Add'l Housing Credit Reference Material) Must be received within one year of allocation.		
12. Gross Rent Floor Election	Found on Rental Production page under Add'l Housing Credit Reference Material		

Additional items needed if requesting HOME funds or Affordable Housing Trust Fund

Item		KHC Use Only	
		Received	Approved
1. Project Set-up report	HOME only, required after executed funding agreement (Rental Production>Rental HOME Packet)		
2. Anti-Displacement & Relocation Assistance Plan	HOME & AHTF (see Sec.11 of Homeownership Implementation Manual found on Rental Production page for guidance)		
3. Authorized Signature Form	HOME & AHTF		
4. Section 504 Transition Plan & Self-Evaluation	HOME only (Rental Production>Rental HOME Packet)		
5. Resolution accepting funds	HOME and AHTF		
6. Procurement Policy	HOME only if Non-profit or local (Rental Production>Rental HOME Packet)		
7. HOME Administrative Certification Form	HOME only (Rental Production>Rental HOME Packet)		
8. Site & Neighborhood Standards Questionnaire	HOME only (Rental Production>Rental HOME Packet)		
9. AHTF Certification Form	AHTF only		

Chapter 5 - Pre-Construction & Closing Stage

Any documentation not submitted as required during previous stages must be received prior to a commitment of funds by KHC. Once all the required documentation has been received, KHC will proceed with preparing the funding agreements and closing documents. When the applicant receives a commitment of funds from KHC, that Commitment or Funding Agreement must be executed and returned to KHC within 30 days. Upon receipt, additional legal documents needed for the closing will be prepared and sent to the closing attorney. Construction *cannot occur* until all closing documents are recorded and the original closing documents have been returned to KHC. In preparation for closing and prior to the closing, applicants may be required to submit additional information to KHC. .

Applications receiving Risk-Sharing funds will be provided a checklist to assist the applicant in the closing process. Risk-Sharing closings will be conducted by KHC's outside legal counsel in their offices.

For those applications receiving other KHC funding, KHC's legal department will be responsible for preparing certain closing documents and forwarding them to the applicant's counsel where these documents will be executed and recorded. Funds may be disbursed after the original recorded documents have been returned to KHC.

A pre-construction conference must be held prior to any construction activities beginning. This includes projects that are not requesting construction financing from KHC.

Below is a list of items that will be required during the Pre-Construction and Closing stage for all projects not funded with Risk Sharing. A separate checklist will be provided to for projects involving Risk Sharing.

Surveyor's Report

(Required on projects utilizing Risk-Sharing funds only)

The surveyor's report HUD form 92457 must be completed, dated, signed and stamped by a licensed surveyor in the state of Kentucky. The survey must be dated within 120 days of the day of closing in order to be valid. A copy of the surveyor's report can be found at www.hud.gov. under the heading "forms".

Final Site Survey/Plot Plan

(Only if utilizing Risk-Sharing funds for construction)

A final site survey needs to be submitted, signed, sealed and dated within 120 days of closing. The survey must be accurate and the metes and bounds must agree with the legal description. The survey is to show all easements, right-of-ways, encroachments, set-backs, etc. If site survey was approved during technical

submission phase, the only thing that will be needed is the seal and dated within 120 days. Seven copies will be required for closing.

Owner and Contractor Agreement

(Required for **all** projects)

The Owner/Contractor agreement must agree with the final cost estimate, as well as the amount for total hard costs showing on the Sources and Uses. The applicant can utilize either the AIA Document or HUD's Construction Contract Form.

The contract should be completed and signed by all parties for final review and include the following:

- The construction contract amount, the date the construction should begin and the date the construction should be completed.
- It must be signed and dated by the contractor and the owner.
- If liquidated damages are in the contract, it must be indicated and the amount per day must be stated.
- The contract must refer to the plans, specifications and any addendums that have been issued.
- Cost contingencies are not to be included in the total hard construction costs on the Owner/Contractor agreement.

Assurance of Completion

(Required when KHC is providing construction financing)

KHC requires an assurance of completion for all projects utilizing KHC funds during construction and KHC has committed a total of \$100,000 or more in any combination of grant or loan. All Risk Sharing loans will require an assurance of completion regardless of the loan amount.

Assurances of completion shall be in one of three forms:

1. Payment/Performance bond (AIA document A 312 or the HUD Form 92452) equal to or greater than 100% of the total construction contract amount. An individual who has been given power of attorney by the Insurance Company, issuing the bond must sign the bond and they must be licensed in the State of Kentucky. KHC's name must appear on the document as an additional insured; or
2. Irrevocable On-Sight Demand Letter of Credit in the amount equal to or greater than 30 percent of the total amount of KHC funds used for the construction of the development. KHC's name must appear on the document as an additional insured. The letter of credit is a personal guarantee; or

3. Cash deposited with KHC in the sum equal to or greater than 30 percent of the total amount of KHC funds used for the construction of the development.

The determination of adequacy and sufficiency of assurances of completion shall rest solely with KHC. Assurance of completion is required only for construction of rental housing developments financed in whole, or in part, by KHC and for land development projects where KHC is financing the construction phase of the development.

Evidence of Proper Insurance

(Required on all projects)

The contractor must provide evidence of proper insurance prior to closing. The insurance policy should provide evidence of workers compensation, builders risk and liability. The insurance shall be carried during the length of the contract. A binder from an insurance company is sufficient documentation. **KHC must be listed as either the primary Certificate Holder or Additional Insured on all certificates of insurance.** If applicant is requesting financing utilizing Risk-Sharing funds, the applicant must include as an additional insured KHC and U.S. Department of Housing and Urban Development as their interest may appear.

Building Permit / Approval Letter from Department of Housing, Buildings and Construction

(Required on all projects)

Before construction can begin, the contractor must receive a building permit. If local jurisdiction indicates that a building permit is not required, then the local authority in that jurisdiction, such as the Mayor or County Judge, must submit a letter verifying this information.

If no local authority exists in which plans were reviewed by a licensed local code enforcement official, a letter of approval from the Department of Housing, Buildings and Construction will be required.

Pre-construction Conference

(Required on all projects)

All projects will be required to participate in a pre-construction conference **before any construction activities can begin.** This includes projects that are not requesting construction financing from KHC. The purpose of the pre-construction conference is to outline basic responsibilities and duties of the various parties throughout the construction and warranty periods. The pre-construction conference will be conducted by KHC's construction specialists in conjunction with the program representative/specialist assigned to the project.

All individuals involved with the construction of the development should attend the pre-construction conference. These individuals should include the developer/applicant, contractor and architect, if applicable. KHC's construction specialist will conduct the meeting along with the program representative/specialist.

The following are topics that will be discussed during the meeting:

- A construction inspection schedule will be determined.
- Final cost estimate.
- The notice to proceed.
- Requirements for safety fencing.
- Requirements for job safety.
- Signage Requirements
- Wage Scale and Davis-Bacon requirements, if applicable.
- Change order process.
- The duties and responsibilities of the owner, architect and contractor.
- The draw process & requirements

Note: Construction may not start on a project prior to the construction closing without prior written permission from KHC. Starting construction early without KHC's permission may affect your capacity on future applications.

Inspections

Once the pre-construction conference has been conducted and all construction documents have been received, a Notification of Construction Start-up form must be submitted to KHC prior to the start of any construction. During construction, KHC's construction specialist will inspect the work progress and conduct regular inspections. At a minimum, projects will be reviewed prior to footing placement, before drywall installation and final. The second stage will occur mid way through construction and the final stage at construction completion. The number of inspections conducted will be left to the discretion of KHC's Design and Construction department. The construction specialist will also inspect for pledged amenities made at application submission.

If projects request other KHC funding, during the monthly inspection, the construction specialist will approve the draw requests for construction costs. All other costs will be approved by the program representative/specialist. KHC will not pay for materials stored off-site. KHC will disburse funds for materials stored on-site if they are insured, invoiced, properly stored and secured. Draws are limited to one draw per month.

In addition to the regular construction inspections, if the project has Housing Credits involved, a pre-8609 inspection will be conducted by Compliance Monitoring staff to

determine if pledged amenities and/or other non-construction related attributes pledged during the application process have been provided.

Change Orders

All change orders to the approved plans and specifications must be submitted to KHC for review and approval at the time the change is needed. If KHC's inspectors are unable to review the work at the time of the change or the change order is held and submitted at the end of construction, the change order may not be approved.

Construction Draws

(The universal draw form is located at www.kyhousing.org/apps/draw/)

KHC will not pay for materials stored off-site. KHC will disburse funds for materials stored on-site if they are properly stored and secured. Draws are limited to one draw per month.

In projects where KHC has awarded both loan and grant funds, the loan funds must be disbursed first. KHC will disburse 40 percent of the developer fee upfront. The remaining 60 percent of the developer fee will be disbursed on a percentage basis in line with the percent of work completed.

All change orders must be submitted at the time the change is needed. Change orders must be signed by the Construction Specialist prior to submitting them to KHC for approval. The draw requesting the contingency funds needed for the change order will not be processed until the change order has been approved by Design & Construction.

The KHC draw request guidelines are located at http://www.kyhousing.org/uploadedFiles/Housing_Production/Rental_Production_Programs/Technical_Submission_Packet/3KHCDRAWREQUESTGUIDELINES.doc?n=3648

The following documentation is required for each draw request:

1. KHC draw Form.
2. Title Endorsement to Title Policy (we will accept a faxed copy provided the original is received within 24 hours).
3. Builders or Contractors Affidavit (must be submitted with every draw).
4. Form G-702 & G-703, or KHC Payment Request Form.
5. Copies of invoices, receipts, etc. for payment of soft cost (and hard costs if an architect is not involved).
6. The first draw must include all closing fees due KHC that were not received prior to closing (i.e. loan origination fee, processing fees, etc.).

7. The final draw may include construction interest due to KHC, escrows for taxes and insurance, etc. The final draw will not be approved until the final inspection, project completion reports and/or final endorsements/modification to the note have been received.

Each draw request for payment associated with projects for which Kentucky Housing Corporation holds a mortgage, i.e., rental and lease-to-own projects, must include a Title Update. It is recommended that applicants limit the number of requests for payments, thereby reducing the cost and number of title updates.

The language that must be included in the title endorsement and update is as follows:

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

NOTE: Please remember that the title endorsement should reference the name of the borrower and the policy number as well as the name of the insured party for ease in reference.

KHC will retain 10 percent of the total of all KHC funds until the final inspection is complete and all final documents are received. If the project contains KHC HOME funds, 5% of the 10% retainage will be held until all the HOME units are leased up and the Project Completion Report (PCR) has been received and reviewed by KHC.

Title Insurance Commitment

(Not required on Grants)

A copy of the Title Insurance Commitment must be submitted if KHC is providing funding in the form of a loan. A commitment of title insurance is provided by the closing attorney after a title search has been completed. The title insurance provided is for the protection of KHC as the lien holder.

Closing Attorney's Name, Address and Phone Number

(Required if not utilizing Risk-Sharing funds)

The contact information for the attorney who will be preparing the closing documents is needed.

EXHIBIT A
Pre-Construction/Closing Items

Project Name: _____

The items listed below are not all inclusive of closing documents that will be required.

(Items needed prior to construction and closing for loans or grants)

Item		KHC Use Only	
		Received	Approved
1. Surveyor's Report w/stamp	Risk-Sharing funds only, must be signed within 120 days of closing.		
2. Final Site Survey	Risk-Sharing funds only, if not approved during technical submission stage. Must be sign, sealed and dated within 120 days of closing (7 copies needed for closing).		
3. Owner/Contractor Agreement	If contractor is involved.		
4. Assurance of Completion (Refer to Preconstruction/ Closing Items Chapter in the Rental Guidelines)	Required when KHC has committed a total of \$100,000 or more in any combination of grant or loan. All Risk Sharing loans will require an assurance of completion regardless of the loan amount.		
5. Evidence of proper insurance	Builders Risk, liability & workman's comp.		
6. Building permit/Approval Letter from Dept. of Hsg. Bldg. & Constructions	Required. If there is no local jurisdiction, plans must be submitted to Dept. of Hsg. Bldg. & Construction.		
7. Pre-Construction Conference	To be conducted by KHC		
8. Draw request	If requesting soft costs at closing.		
9. Title Insurance Commitment	For loans only. Must insure KHC for the total amount to be loaned. Dated within 30 days of closing.		
10. Closing attorney's name, address and phone number.	(Required if not utilizing Risk-Sharing funds)		

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Chapter 6 - Construction Completion/Placed-In-Service Stage

All projects are required to submit final close out documentation. These may include final closing documents, project completion reports, certificates of occupancy and final draws. The 10% retainage that is held during the construction phase will not be released until all project completion documents are received and approved. If Risk-Sharing funds are being utilized there will be a permanent loan closing which will take place at KHC's outside counsel's office. When necessary, certain documents may have to be forwarded to an outside agency (i.e. HUD) for approval before the funds for the final draw can be released. If HOME funds are utilized, KHC will hold half of the 10% retainage until the Project Completion Report is completed and turned into KHC.

Once construction has been completed the following items, as applicable, will be required in order to close out the project and release any remaining funds that are held for retainage.

Final As-built survey

(Required on projects utilizing Risk-Sharing funds only)

A surveyor that is licensed in the State of Kentucky must prepare the survey. The survey shall show all conditions as they exist after construction has been completed. It must show all utilities, easements, right-of-ways, and setbacks. The survey is to have the surveyor's signature, stamp and seal and must be dated within 120 days.

Cost Certification

(Required on projects utilizing Risk-Sharing or Housing Credits)

A Certified Public Accounting firm shall prepare the cost certification upon the completion of the construction. KHC staff shall determine its acceptability. The cost certification will be used to determine the maximum insurable mortgage and shall contain all costs associated with the construction of the project. A closing date will not be scheduled until the cost certification has been approved.

Certificate of Substantial Completion

(Required on projects of 12 units or more, or if an architect was involved and KHC is the primary lender)

The architect shall issue a Certificate of Substantial Completion after he/she has made a final inspection and finds the project is complete. The standard form used is the AIA G-704.

Certificate of Occupancy

(Required on **all** projects)

It is the responsibility of the contractor or applicant to contact the local officials in the area to inspect and issue the Certificate of Occupancy. A certificate of occupancy must be issued for each building in the project. If certificates of occupancies are not issued in the county of the project location, the developer will need to receive approval in the form of a letter from the Department of Housing, Building and Construction in Frankfort, Kentucky.

Termite Inspection Report

(Required on **all** rehabilitation projects)

A termite inspection report must be furnished and show evidence that the building and surrounding foundation has been properly treated to prevent the infestation of termites.

Termite Certificate

(Required on **all** new construction projects)

A termite certificate must be furnished as evidence that all buildings and surrounding foundation have been properly treated to prevent the infestation of termites.

Final Inspection

(Required on all projects)

The final inspection will be conducted by the architect, if applicable, the contractor and KHC's construction specialist. The final inspection will cover all interior and exterior items. A punch list will be completed if there are items that need correction or have not been completed.

The KHC construction specialist will do a follow-up inspection once all punch list items have been corrected and/or resolved. Once items are approved, the construction specialist will notify the program representative/specialist.

Final Punch List

The KHC's Construction Specialist will submit a punch list of items still needed to be complete. The Specialist will also verify that the items have been completed.

Final Draw

The final draw request will be submitted to KHC for processing at which time the remaining retainage may be released.

Project Completion Packet (HOME only)

The Project Completion Packet is completed when all HOME units have been leased up and includes the documentation listed below. The final retainage of HOME funds will not be released until the Project Completion Report (PCR) and Final Funds Expenditure Statement is received and completed. All documents needed to complete the packet can be found on KHC's Web site under Housing Production, Rental Production Programs, Rental HOME Packet.

- **Project Completion Report (PCR)**

The PCR is a reporting of the project's final sources of funds and designation of the fixed or floating HOME units at initial occupancy. The total activity cost must match the total project cost on the Final Funds Expenditure Statement.

- **Final Funds Expenditure Statement**

The Final Funds Expenditure Statement is a reporting of the final uses of all funding sources. If two different funding sources are used for one line item, the amount allocated to each funding source must be broken out. The total project cost must match the total activity cost on the PCR.

- **Section 3 Report**
(applicable to projects with contracts over \$200,000 and subcontracts over \$100,000)

The Section 3 Report provides information regarding any employment, job training, contracting and subcontracting opportunities given to low- and very low-income persons as a result of the HUD funds used for the project. More information regarding Section 3 requirements can be found on KHC's Web site under Housing Production, Rental Production Programs, Rental HOME Packet.

- **Minority Business Enterprise/Women Business Enterprise (MBE/WBE)**

The MBE/WBE is a reporting of the contracts awarded to minority and female businesses. The MBE section is to report the racial classification and number of contracts for contractors and subcontractors and the WBE section is to report gender classifications and number of contracts for contractors and subcontractors.

W-9 Form

This is required for all projects with loans to for-profit and non-profit entities that are not tax exempt (not required for grant only projects). The W-9 form can be found on KHC's Web site under Housing Production, Rental Production, Technical Submission Packet.

Management Contract

(This contract is required if a management company is utilized)

For projects using a management company a copy of the contract between the owner and the management company must be provided.

Proof of Lead Based Paint Abatement Clearance

(This is required for projects built prior to 1978 and funded with HOME, Risk Sharing and Project Based)

A copy of the Certificate of Clearance provided by the abatement company must be provided as proof.

Operating Deficit Reserve/ Reserve for Replacement Certification

All applicants are certifying that an Operating Deficit Reserve account has been established and with what Banking Institution. Further they are certifying that a Reserve for Replacement account has also been set up; who will hold the account; and the amount of the account. This form can be found on KHC's Web site under Housing Production, Rental Production, Technical Submission Packet.

Application for Issuance of Certification of Allocation Form 8609

(This is required on Housing Credit projects only)

A completed Request for Issuance of Low Income Housing Tax Credit Allocation and Certification (IRS Form 8609) packet must be sent to KHC's compliance department. The application for Issuance of Certification of Allocation Form can be found on KHC's Web site under Housing Production, Rental Production. The information received in this packet will be used by both compliance and rental production in the preparation of the Extended Use Agreement (EUA) and IRS Form 8609. The EUA will be mailed to the owner to be signed and recorded. The IRS Form 8609 will be mailed to owner once the executed EUA has been received by KHC.

After Construction Completion Requirements

Audits

Any project where KHC holds the first mortgage will be required to send financial statements to KHC on an annual basis. All projects funded through Risk-Sharing will be required to submit **audited financial statements** on an annual basis. The audited financial statements for Risk Sharing loans are to be submitted to KHC within 60 days of the project's fiscal year end. All other projects are required to

submit a compilation financial statement within 120 days of the project's fiscal year end.

All audit requirements will be noted in the written agreement with KHC, if the project is funded. KHC always reserves the right to request financial statements from any project/partner that receives funding.

For projects funded in previous years, the requirement as to whether a project must submit audited financial statements is outlined in the application guidelines that were in effect at the time the application was submitted to KHC. The requirement would also be noted in the project's legal documents between the property owner and KHC.

Compliance Issues *(All funding sources - please refer to individual program requirements for additional compliance requirements)*

Projects utilizing any KHC funds are required to meet compliance requirements throughout the affordability period of the project. KHC's compliance department will be responsible for conducting compliance reviews. All projects regardless of funding will be inspected at least every three years. These reviews shall consist of rent restrictions, income restrictions, property conditions and pledges made in the original application, extended use agreement (if applicable), the HOME funding agreement (if applicable) and the commitment letter.

The compliance department will notify the entity in advance when inspections will be scheduled. The entity or management agency should adhere to the following to eliminate any possibilities of non-compliance in addition to the requirements as noted above:

- Tenants must be given at least 30 days written notice before increases are implemented. Any increases are also subject to other provisions of the lease agreements. For example, rents may not increase until the tenant's lease expires. Documentation of increases must be kept in the tenants file.
- Owners/Management companies must include the following in the tenant files:
 - **Rental Application** – The rental application or income survey form used to gather information about household income, composition and student status.
 - **Verifications:** The appropriate third-party verifications and any supporting documentation used to support the income information provided by the tenant for each certification and recertification; this will also include asset verifications which could include copies of bank statements.
 - Copies of all form letters sent to third-party sources.
 - Copies of all correspondence from third-party sources.
 - **Student status:** Evidence must be maintained to show what consideration was made as to whether the household is made up entirely of full-time

- students and supporting documentation if one of the four exceptions were applicable. (*Projects utilizing Housing Credit only*).
- **Lease:** The lease must be included, documenting the rent amount and must be signed by both parties.
 - **Set-aside documentation:** Evidence to support set-aside selection as pledged in the project's application and extended low-income housing commitment. (*Projects utilizing Housing Credit only*).
 - **Income calculation:** Include formula used to calculate income.
 - Any notation of all actions taken in the tenant file.
- KHC reserves the right to inspect each development for compliance with Housing Quality Standards (HQS) throughout the term of the loan and Labor Uniform Physical Condition Standards.
 - Any development using several sources of financing may have additional compliance requirements. Please refer to program specifics for additional compliance requirements.

EXHIBIT A
Construction Completion/Placed In Service
(Items required after construction for loans and/or grants and all Tax Credits)

Project Name: _____

Item		KHC Use Only		
		Received	Approved	
1.	Final as-built survey	Risk-Sharing only		
2.	Cost certification- including cost breakdown by building and a sources and uses of funds statement	Risk-Sharing & Tax Credit only Certification must be completed by an independent CPA		
3.	Certification of Substantial Completion AIA G-704	12 units or more or if an architect is involved and KHC is primary lender		
4.	Certificate of occupancy	If certificate is not issued in the county, then one must be received from the Dept. of Housing, Building & Construction in Frankfort.		
5.	Termite Inspection report	Rehab only		
6.	Termite Certificate	New Construction		
7.	Final inspection report	Submitted by KHC's Construction Specialist		
8.	Final punch list & verification that all items have been completed.	Submitted by KHC's Construction Specialist		
9.	The "Final Draw"	KHC Form 206		
10.	Project Completion Packet a. Project completion report b. Final funds expenditure statement c. Section 3 Requirements d. MBE/WBE	HOME only, (KHC HOME packet)		
11.	W-9 Form	Required for projects with loan to for-profits and non-profits who are not tax exempt (not required for grant only projects)		
12.	Copy of Management Contract	If using a management company		
13.	Proof of Lead Based Paint Abatement Clearance	If applicable, for rehab projects originally built prior to 1978 & funded with HOME, Risk-Sharing, PB		
14.	Operating Deficit Reserve/Reserve for Replacement Certification			
15.	Exact name, address and federal ID number as it will appear on IRS Form 8609	Tax Credit Only		
16.	Exact street address, including zip code on all buildings	Tax Credit Only		
17.	Application for Issuance of Certification of Allocation Form 8609	Tax Credit Only		

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Chapter 7 - Basic Terms

Affiliate: Any entity that directly or indirectly controls another entity or has a controlling front door interest in the entity.

Affordability period: The required period of time the development must continue to remain affordable to the target population.

Bridge loan: A short-term loan used to finance an enterprise, investment, or government pending the receipt of other funds.

Chronically Homeless Person: An unaccompanied homeless individual with a disabling condition who has either been continuously homeless for a year or more OR has had at least four (4) episodes of homelessness in the past three (3) years. A disabling condition is defined as "a diagnosable substance use disorder, serious mental illness, developmental disability, or chronic physical illness or disability, including the co-occurrence of two or more of these conditions." In defining the chronically homes, the term "homeless" means "a person sleeping in a place not meant for human habitation (e.g., living on the streets) or in an emergency homeless shelter."

Community Room: This is a designated common area specifically for the tenants only. It is separate from other areas such as the office and laundry facility.

Community Service Facility (CSF): A space that can be used for purposes, including but not limited to, child daycare, senior programs and job training. They are defined as facilities that are designed to primarily serve low-income households (60 percent or less of area median income.) Project employees could also use the facilities. To receive additional tax credits the CSF must be located in a QCT.

Conflict of Interest: A conflict between the private interests and the official responsibilities of a person in a position of trust.

Contiguous Sites: Sites that is adjacent, bordering or adjoining each other.

Construction contingency: Funds set aside for unanticipated construction expenses or cost over-runs normally calculated as a percentage of total hard cost.

Controlling Interest: The possession, directly or indirectly, of and the power to direct or cause the direction of the management and policies of an entity, whether through the means of ownership, position, contract, or otherwise. In addition "controlling" means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of an entity, whether through the means of ownership, position, contract, or otherwise.

Cost Containment guidelines: Cost guidelines limiting the amount of total dollars per unit allowed in the development.

Debt Coverage Ratio (DCR): Net operating income divided by total debt service (loan payment).

Debt service: The payment of principal, interest and MIP when applicable, to repay the loan.

Deed restriction: A limitation that passes with the real property regardless of the owner; usually limits the real estate's type of use or intensity of use. *See also* restrictive covenant.

Developer's fee: Fee received by the developer for coordinating and developing the project, including any fees paid for consulting services or any other fees resembling consultant or developer fees.

Elderly Project: There are two ways to qualify as an elderly project, all units are occupied solely by persons 62 years of age or older (100% elderly); or 80% of the units are occupied by at least one person who is 55 years of age or older.

Homeless: A person sleeping in a place not meant for human habitation or in an emergency shelter, or a person in transitional housing."

Identity of Interest: An identity of interest exists where there is a financial, familial or business relationship that permits less than arm's length transactions. This includes, but is not limited to the existence of a reimbursement program or exchange of funds; common financial interests; common officers, directors, or stockholders; or family relationships between officers, directors or stockholders.

Leverage: The degree to which an investor or business is utilizing borrowed money.

Loan to value ratio: The ratio of a mortgage loan and the value of the security pledged; usually expressed as a percentage.

Maximum mortgage amount: The maximum principal amount to be loaned under the applicable programs.

Maximum subsidy/allocation: The maximum amount of funding allowed on a per-unit basis.

Mentally Disabled: Having either a psychiatric disorder (eg, psychosis, neurosis, personality, or behavior disorder), a development disorder (eg, mental retardation), or a neurological disorder that affects cognitive or emotional functions to the extent that capacity for judgment is significantly diminished.

Mortgage Insurance Premium: The insurance required to be paid annually for developments utilizing HUD insurance through the Risk-Sharing program.

Operating Deficit Reserve Account (aka Rent-Up Reserve): Funds set aside in a reserve account to cover operating deficits until the project reaches sustaining occupancy.

Operating expenses: Both fixed and variable expenses incurred in the day-to-day operation of the project.

Other funding sources: Any funding source, not provided by KHC, being used to fund the project.

Physically Disabled: Having a physical condition that adversely affects the day-to-day motor functioning, such as cerebral palsy, spina bifida, multiple sclerosis, orthopedic impairments, and other physical disabilities

Preservation: (Minor rehabilitation is NOT included.) Kentucky Housing Corporation defines preservation as the maintaining of existing units or maintaining the integrity of the original existing unit as closely as possible. Preservation can include the relocation of certain walls or major components such as plumbing or electrical systems; however the existing shell of the building must be maintained. This can include the reduction of units to update or modernize to meet current market needs.

Proforma: A spreadsheet that projects income and expenses (including reserve for replacement) of the development as well as debt service, debt coverage ratio and cash flow for each year.

Project Completion: All construction is completed, all close out documents have been submitted, final closing has occurred (if applicable) and all funds have been expended and disbursed.

Rent-Up Reserve (aka Operating Deficit Reserve): Funds set aside in a reserve account to cover operating deficits until the project reaches sustaining occupancy.

Reserve for Replacement: An allowance that provides for the periodic replacement of building components that deteriorates and must be replaced during the building's economic life. Funds are set aside in a reserve account.

Restrictive Covenant: A private agreement that restricts the use and occupancy of real estate that is part of a conveyance and is binding on all subsequent purchasers; may involve control of lot size, setback, placement of buildings, architecture, cost of improvements, or use.

Soft costs: Service costs and fees that are incurred when developing a project.

Single Room Occupancy (SRO): To be considered an SRO the unit must contain a bedroom and a full bath or an efficiency kitchen (sink, refrigerator, and microwave).

Subsidy Layering/Financial Analysis: A review that is required when a development combines Housing Credits with other governmental assistance, including the HOME program.

Sustaining occupancy: The point in time when the gross income is sufficient to cover the operating expenses. Net income is \$0 or greater.

Term of loan: The period of time allowed to repay the loan amount and any accruing interest.

Total Hard Construction Costs: Total cost to construct the building and other improvements.

Vacancy Rate: The percentage of total units that are not occupied.