

2008 RHP COMPETITIVE SCORING GUIDELINES

The application review process is a three phase process: Phase I is Scoring Criteria, Phase II is Financial Feasibility, and Phase III is Market Need. The following guidelines are designed to ensure applicants understand the scoring requirements for Phase I of the review process.

Projects will be reviewed on the basis of the documentation contained within the application. If documents on the scoring checklist are not submitted, then applications will not receive points in areas where documentation is required. It is the responsibility of the applicant to ensure all required documentation is submitted. Projects will be ranked according to their score. Those with the greater number of points will receive funding, **providing the project meets all financial and market requirements.**

Applications will be scored on the development team, targeting plan, project design & location, ready to proceed, financial design, and bonus opportunities. Applications must receive a minimum score of 140. The exceptions to the 140 minimum score are the Lease to Own and HOPE VI set-asides which must meet a minimum score of 120.

Although funds will be awarded to the highest scoring projects within their respective pools, KHC will make every effort to ensure funds are distributed geographically across the state. KHC reserves the right to award funding to a lower scoring project located in a congressional district where no other funds have been allocated.

DEVELOPMENT TEAM

Capacity of the Development Team

1. Monitoring/Compliance –

Points will be awarded in this section based upon previous compliance monitoring audits conducted by Kentucky Housing staff on Kentucky Housing funded projects. ***KHC will review the past three years history with the right to review further history in instances in which KHC feels it is necessary.***

Only one applies:

a. If no members of the development team have had any unresolved or outstanding compliance issues then the applicant will receive the full ten points. This will include compliance issues with any Regulatory, Statutory and/or KHC policies.

or

If one or more members of the development team, within the past three years, have been noted for non-compliance issues but all have been corrected within six months after the close of the correction period, the application will receive five points.

or

If a member of the development team has been found directly or indirectly responsible for any other project within the past three years in which there is or was documented uncorrected noncompliance issues for more than six months after the close of the correction period, five points will be deducted in this category. Acts of

God or reasons beyond the owner's control may be excluded as determined by KHC.

or

If a member of the development team has had chronic and repeated compliance issues or findings of non-compliance within the past three years and it has been documented, ten points will be deducted in this category. This includes occurrences such as having ample time to correct issues or findings but not doing so, expiration of the time period to make corrections or no effort made to make corrections.

or

If a member of the development team has demonstrated repeated delays and/or consistent patterns of requesting extensions for correcting compliance/monitoring issues that have been documented, five points will be deducted.

- b.** If no members of the development team have requested a waiver or modification for pledged amenities or deviated from project design within the past three years, for any project, five points will be awarded. (This excludes approved equitable substitutions made during the pre-8609 process. **Only equal** amenities substitutions or project deviations will be considered acceptable.)
- c.** If a member of the development team has requested a waiver or modification for pledged amenities or a request has been made to deviate from the project design within the past three years and it is documented, five points will be deducted. This also includes failing to meet standards or requirements of the award or failing to fulfill one of the representations contained in the application.
- d.** If a member of the development team has properties where it is documented that they did not or do not pass the Uniform Physical Condition Standards (UPCS), Housing Quality Standards (HQS) or Real Estate Assessment Center (REAC) standards, five points will be deducted. The UPC Standards are intended to ensure that the housing being provided is decent, safe, sanitary and in good repair. A (REAC) score of 60 or better must be achieved for properties that are subject to (REAC) physical conditions standards, within the past five years. If any project(s) have received a (REAC) score of 60 or below, or have repeated patterns of HQS non-compliance, five points will be deducted.

2. Production -

- a.** During a project's phases of development, from submitting technical submission items to submitting draw requests and any other documentation in between, if a member of the development team has demonstrated repeated delays and/or consistent patterns requesting extensions to Kentucky Housing's deadlines and it has been documented, five points will be deducted.
- b.** If a member of the development team has been involved in a project awarded Housing Credits and/or other KHC funding in the last two years for which it has been documented that either the permanent financing or equity investment has not

been closed and/or construction has not been completed and the project placed in service, ten points will be deducted for projects closing in an untimely manner.

- c. If, in the past three years, it has been documented that KHC has recaptured funds from any member of the development team, during the development process, ten points will be deducted. This includes funds recaptured from homeownership or rental projects and all funding sources including: Housing Credits, SMAL, HOME, Affordable Housing Trust Fund, Risk-Sharing, Housing Assistance Funds, Housing Development Funds, HOPWA, ESG, etc.
- d. If a member of the development team has developed, operated or completed a project of at least ten rental units, that is now in the affordability stage with compliance or for new developers, proof is provided they have received technical assistance from the Rental Production staff, five points will be awarded in this area.

Technical Assistance can be requested starting October 1, 2008 and must be completed *at least* one month prior to the deadline date for submission. There are certain guidelines associated with this type of technical assistance before the Program Representative/Specialist will approve the member(s) to move forward with the application process.

The individual(s) who will be responsible for the day-to-day activities of the project, to include application submission, construction, closing and ensuring the project stays in compliance after the project is completed, is the individual(s) who is required to attend this additional training. By attending this training, it does not guarantee the project will be awarded funds.

3. *Asset Management* -

- a. If any member of the development team has had a project financed by Kentucky Housing using KHC funds, Tax Exempt Bond funds or Low Income Housing Tax Credits within the last three years and have been in mortgage default or arrearage of three months or more, ten points will be deducted.

or

If any member of the development team has been involved with projects within the past three years and have *consistent, documented* patterns requesting extensions to Kentucky Housing's imposed deadlines, extensions for debt service payments and/or a request for forbearances or has requested a bout was not in default, ten points will be deducted.

- b. If any member of the development team that has outstanding/unresolved issues in Asset Management, ten points will be deducted. This includes improper use and/or maintaining inappropriate balances in reserve for replacement accounts and/or tenant security deposit accounts as indicated in approved funding documents and/or required under regulatory agreement as well as submission of financial/occupancy data as requested.

4. *Sponsor Characteristics*

- a. Applicants must submit certification as described below to document they are an approved minority or female controlled and managed entity to receive ten points in this area.

The definition of a minority or female owned and managed entity is:

- 1) If the firm is a corporation, such individuals must own at least 51 percent of each class of voting stock outstanding and 51 percent of the aggregate of all stock outstanding.
- 2) If the firm is a partnership, 51 percent of each class of partnership interest must be owned by socially and economically disadvantaged individuals and be reflected in the firm's partnership agreement.
- 3) If the firm is a limited liability company, at least 51 percent of each class or member interest must be owned by socially and economically disadvantaged individuals.

Minority Owned Business

For additional and more specific information on the requirements of the certification process for minority owned agencies the link for this certification is www.mwbe.com/cert/certification.htm

A minority-owned business is an enterprise, regardless of size, physically located in the United States or its trust territories, which is owned, operated and controlled by minority group members. "Minority group members" are United States citizens who are Asian, Black, Hispanic and Native American.

Certification is done at a local or regional level. There is a charge for the non-refundable application fee. Certification must be renewed each year along with payment of annual fee. To find the certifying agency for the state of Kentucky go to the above web site.

or

Female Owned Business

For female owned entities the certification process is through the Women's Business Enterprise National Council (WBENC). To learn more about the WBENC certification go to www.wbenc.org the certification criteria are as follows:

- **Ownership:** Fifty-one percent ownership by a woman or women. The applicant must share in all risk and profits commensurate with her ownership interest.
- **Control and Management:** Proof of active management of the business. Women must possess the power to direct or cause to direct the management and policies of the business.
- **Contribution of Expertise and Capital:** Contribution of capital and/or expertise by women owners to acquire their ownership interest shall be real and substantial and be in proportion to the interest acquired.

- Independence: The women owner(s) shall have the ability to perform in her area of specialty/expertise without substantial reliance on males or non-women-owned-businesses.
- U.S. Citizenship or U.S. Resident Alien Status.

or

If the Non-Profit Organization materially participates in the development, operation of the development, ownership or management of the project, ten points will be awarded.

A qualified Non-Profit Organization is one which is:

- Described in §501(c)(3) or (4) of the code and is tax exempt from tax under §501(a) of the code,
- Not controlled by a for-profit,
- Has as one of its exempt purposes as the fostering of low-income housing,
- Has been in existence for at least one year and
- Owns fifty-one percent of the general partnership interest of the ownership entity of the development.

TARGETING PLAN

Targeting Plan: Applicants may propose projects for special needs households exclusively, or set aside a portion of the project units for these households. However, special needs projects should strive to be integrated and non-stigmatizing, smaller special needs only projects or larger mixed-population projects are encouraged.

In order to be eligible for the set-aside points, the applicant must propose to house households that include victims of domestic violence, those with alcohol and/or drug addiction, HIV/AIDS, physical disabilities, aging out of foster care (18 years or older) or those that have a physical or mental impairment that substantially limits one or more of the major life activities of an individual. In addition, the head, or co-head of household must have a record of such impairment or be regarded as having the impairment. A special needs household may consist of an individual, unrelated individuals, or a family. To qualify, however, it is necessary that the head or co-head of household have the special needs condition.

Kentucky Housing, on a case-by-case basis, will consider applications for projects that target households with a member with a special needs condition, if it can be shown that the head or co-head of household serves as the primary caregiver as verified by a third party primary treatment provider.

In order to define this definition, Kentucky Housing has listed the following groups as meeting the above definition: Severe mental illness, mental retardation/developmental disabilities, alcohol and/or drug addiction, HIV/AIDS, acquired (traumatic) brain injury, physical disabilities, victims of domestic violence and individuals aging out of foster care (18 years or older).

The reason for listing these eligible populations is to remove the responsibility for determining special needs eligibility status from a non-service provider applicant and place it on an appropriate service agency.

The list is not intended to be exclusive. Other special needs conditions that cause severe impairment can be accommodated. For instance, autism could be accommodated under severe mental illness and blindness/deafness under physical disabilities.

However, before targeting a special needs group not listed above, the applicant should contact Kentucky Housing for guidance.

1. Percentage of Units Set Aside

Points will be awarded in this section if the applicant chooses to set-aside a certain percentage of units to be utilized for one of the special needs populations. *Example:* If the applicant is developing a 24 unit complex and wishes to set-aside 21 percent to a special needs population, then six units (always round up) must be rented to individuals in that special needs population at all times. Points are awarded based upon the percentage of units set aside, with ten percent being the least percentage possible.

Before developing the supportive services plan and answering the questions in the application, it is vital for the developer to identify the specific special needs group (or groups) that will be targeted. The developer can then tailor the supportive services plan for the specific identified group. Having a clear idea of the group that the project will target will also allow the developer to provide details of the project need, including specific numbers of the target population, barriers to housing acquisition and the appropriate sources of referrals of qualified households to the project.

* As a point of clarification: to qualify for the set-aside points, applications must propose to house a distinct special needs population. Therefore, applications for elderly projects that propose to fill set-aside units with special needs residents would have to choose the 80% set-aside for elderly households with at least one person 55 years of age or older. When choosing this set-aside, the project must never **fall below** the 80% requirement of housing elderly individuals in order to be considered an elderly project and stay in compliance. Once the elderly designation is lost it cannot be regained. Also, the project's policies, procedures, documents and advertisements must evidence an intent to provide housing for older persons. For instance, if 80% of the units are filled by elderly individuals and one unit becomes vacant, that unit will have to be rented to another elderly individual in order to meet the 80% requirement. This unit can not be rented to an individual with special needs unless that individual also meets the requirement of 55 years of age or older.

If the 80% set-aside is chosen, a percentage of the remaining 20% of the units *could be* utilized for the special needs set-aside. To qualify, such a project would have to commit to filling the set-aside units with households from a specific special needs population regardless of age and would have to document credible sources of referrals of qualified households. If an applicant is proposing an elderly project with a percentage of special needs units, the applicant will have to ensure they will meet fair

housing requirements to include marketing specifications/requirements. For additional information you can refer to Federal Register/Vol. 64, No 63/Friday, April 2, 1999” which provides guidance for owners looking to qualify for the elderly exemption to the fair housing act codified in 24 CFR 100 et. seq., the statutory reference is 42 U.S.C. 3601-3619 for additional guidance.

2. *Supportive Services/Tenant Referral Plans*

In order to receive points in this area, the applicant must answer all required questions in the application and it must be detailed. If an applicant fails to give detailed information or fails to address required services and/or referral sources for one or more of the targeted populations, then points will not be received in this category or in the category for Percentage of Units Set Aside.

- *Maintaining a Project Waiting List*

Projects can target specific special needs groups without violating fair housing law. To accomplish this, certain procedures must be followed. A project waiting list must be maintained and no person with a disability may be denied the right to submit an application for housing. In order to target a specific group, the owner/manager must develop a written preference policy for the targeted population. When a vacancy occurs, the owner/manager must identify the oldest application on the waiting list that can receive the preference and verify application information. If all information is verified, that household must be offered the vacant unit. Project preferences cannot favor one referral source over other qualified referral sources.

- *Two Types of Supportive Services*

When preparing the supportive services plan, keep in mind that while there are many specific types of supportive services that any individual may need. There are two general types, and depending on the identified special need population, a mixture of both will probably be needed.

Professional services are provided to individuals with significant disabilities such as severe mental illness, mental retardation and substance addiction. These services are provided by qualified, credentialed professionals and in many cases are paid for by Medicaid or other government programs. Such services include psychiatry, mental health therapy, professional case management, physical therapy, psychology, drug counseling and many others.

Paraprofessional or community support services are equally important but are typically not provided by professionals qualified to bill Medicaid and are not eligible for payment by Medicaid. Such services include transportation, job coaching, lifeskills training, child care, and nonprofessional case management (may be referred to be other names such as service coordination or community facilitation).

- *Participation in Services*

While supportive services must be made available to residents of permanent special needs housing units (supportive housing) participation in them cannot be made

mandatory as a condition of receiving housing. Therefore tenants must be provided leases that do not require participation in supportive services, either in the body of the lease or as an addendum to it. A separate services agreement between the developer or service provider and the tenant may be entered into but it should not contain provisions allowing the loss of housing for non-participation in services. If service agreements are required for residents of a proposed project, a copy should be submitted with the application along with other documentation of the service plan.

Below are sources of referral and services for each of the special needs populations. They may be called different names in different parts of the state. Also you can look at the Continuum of Care (CoC) resource guide for additional information as well at: <http://www.kyhousing.org/page.asp?sec=72&id=496>

Alcohol/Substance Addiction: Regional community mental health centers (also called comprehensive care centers) are the primary source of referrals and services in rural areas. In larger communities there are usually other agencies or programs that provide substance addiction services on an in-patient or out-patient basis. These are sometimes sponsored by faith-based organizations. An example of these other agencies would be a Recovery Kentucky facility.

Severe Mental Illness: Regional community mental health centers are the primary sources of referrals and services statewide. There are also four state hospitals and a few psychiatric inpatient programs in hospitals scattered around the state. Hospitals can be sources of referrals, but it is usually only the community mental health centers that have case managers who provide the in-home supportive services that we will be looking for applications for this population.

Mental Retardation/Developmental Disabilities: Regional community mental health centers can provide referrals and services. In larger communities there may be other MR/DD service providers that could serve as sources of referral, but usually only the community mental health centers provide the in-home supportive services we will be looking for applications for this population.

HIV/AIDS: Regional HOPWA programs or Care Coordinator programs are the primary sources of referrals and services statewide. In larger communities there may be other agencies or programs that provide HIV/AIDS services. These are sometimes sponsored by faith-based organizations.

Traumatic Brain Injury: In some areas, the regional community mental health centers provide referrals and services to this population, but not always. There are some other advocacy and support organizations in some areas, but not many. This population typically requires intensive case management services which are not easy to acquire.

Physical Disabilities: In Louisville and Northern Kentucky there are advocacy and service agencies for people with physical disabilities that could provide referrals and services. Across the state there are outpatient rehabilitation programs that are usually

attached to regional medical centers that could provide the necessary referrals and services.

Victims of Domestic Violence: In every region there is a domestic violence shelter that could provide the referrals and services we will be looking for. In larger communities there may be other agencies that work specifically with this population that would be acceptable sources of referrals and services.

Aging out of Foster Care:

The Department for Community-Based Services of the Cabinet for Health Services is responsible for assistance to individuals who are no longer eligible for the out-of-home placement program. Assistance is coordinated through Independent Living Coordinators who work out of DCBS regional offices across the state.

Supportive Services Questions in the Application

So that all the supportive services plans can be reviewed quickly and efficiently, the following questions are asked in the application. If answers to these questions are not specific and detailed, it could result in the plan not receiving approval and the application not receiving points in this category. These questions should be answered only if applicant is seeking the special needs set-aside.

Question 1. Describe the special need group or groups that will occupy the set-aside units.

When answering this question, keep the following in mind:

- Resist the temptation to automatically target all the special needs groups. Every targeted special needs group must have an appropriate source of referral and services and those sources must be documented. **Projects that do not provide appropriate service referral plans for all special needs populations served will not receive points in this area.**
- In any particular community there can be several different service providers for a specific special needs group. There are typically more service providers in larger communities, while the options may be very limited in smaller communities.

Question 2. Identify the referral source or sources for each of the targeted groups you are proposing to serve.

When answering this question, keep the following in mind:

- The source of referral must be appropriate for the targeted population (for example, a community mental health agency would not be considered an appropriate referral source for people with physical disabilities; a domestic violence shelter would not be an appropriate source of referrals for people with

substance addiction). **If zero points are awarded in this area, zero points will also be applied in the percentage of set-aside units section.**

- The referring agency must document their willingness to refer eligible special needs households to the specific project in writing on agency letterhead. The letter or MOA must be signed by agency staff with the authority to make such a commitment.
- The letter or MOA must state the approximate number of households served annually or monthly by the referring agency. While an estimate of the number of special needs households that will be referred to the specific project annually or monthly is preferred, at minimum the referring agency must state they will refer eligible special needs households to the project.

Question 3. Identify the service provider or providers for each of the targeted groups listed in Question 1.

When answering this question, keep the following in mind:

- The package of supportive services needed by the various special needs groups will vary greatly, as will the agencies that deliver them.
- Because supportive services are specific to each group, it is imperative that applicants who are not service providers make contact with appropriate service agencies early in the project planning process and work closely with them during the preparation of the application. Developers that are also service providers will typically target their own service populations and will therefore have a ready-made menu of supportive services.
- Depending on the special needs population, a standard menu of professional services will be required. For instance, psychiatry and mental health therapy are part of the supportive service package for people with severe mental illness but would not be required for individuals with HIV/AIDS or mental retardation. An experienced service provider can furnish this information.
- Every community in Kentucky is served by one of the regional Comprehensive Care centers (Comp Cares) that are also referred to as community mental health centers. However, there is usually only one Comp Care office in each county. All Comp Cares provide professional services for people with severe mental illness, mental retardation/developmental disabilities and alcohol and drug addiction.
- Services for other groups are provided by a variety of agencies that are different for each community. For a listing of service providers in Kentucky, a good source is the Continuum of Care Resource List that is updated annually by the staff of the Kentucky Housing Specialized Housing Resources Department. It can be found at <http://www.kyhousing.org/page.asp?sec=72&id=496>

- In Kentucky, professional and community support services are typically office-based with limited services delivered in-home by case managers. Because of funding limitations, it is rare for a project to include site-based services.
- Community support services are often required in addition to professional services. A special needs household may need services such as subsidized child care, vocational training and transportation in addition to professional services such as physical therapy, counseling and therapeutic rehabilitation.
- One of the most important community support services is transportation. For projects that are not located close to service providers and community amenities, a description of the way the transportation needs of project residents will be addressed must be included.
- Documentation of the availability of services is vital to the application. The core services for a particular special needs group should be documented by letter on agency letterhead stating that the agency is aware of the project and supports it, but in addition, should state that the agency has the qualifications and capacity to provide the necessary services and will provide those services to qualified project residents. The letter should be signed by a staff member of the agency with the authority to make such a commitment.

In addition to the primary professional services required by the targeted population(s), list any secondary services available in the community.

When answering these questions, keep the following in mind:

- In addition to the professional services such as mental health and physical therapy that a targeted special needs group may need, they can greatly benefit from community development services, such as transportation, job training and subsidized child care. It is important to list sources of these in the community and how the residents of the set-aside units will be assisted with accessing them.

Question 4. If developing transitional housing, what are the components of the exit plan once residents have completed their stay and are seeking permanent housing?

In addition to the previously discussed requirements for services during a resident's stay in transitional housing, owners must present a clear plan for the transition of residents to permanent housing. This exit plan should include:

- What will be done during the stay in the transitional housing to ensure that permanent housing will be obtained?
- What are the sources of permanent housing that will be available to the transitional project residents? The applicant must go beyond a listing of permanent housing resources and document that specific organizations

providing permanent housing are aware of the transitional project and will either have openings for project residents or will establish preferences for them.

- The applicant must document services that will be made available to project residents once they have left transitional housing that are designed to assist in the acquisition of permanent housing.
- For those populations with chronic disabilities that need on-going supports, the applicant must identify sources of these services and how residents exiting the transitional housing will be connected to them.

3. *Elderly Projects*

Points will be awarded in this section for elderly projects in RURAL counties ONLY.

Following is a list of counties considered Urban based upon statewide median incomes above \$48,800 and populations of 20,000 or more:

Boone	Daviess	Henderson	McCracken	Woodford
Boyle	Fayette	Jefferson	Mercer	Warren
Bullitt	Franklin	Jessamine	Nelson	
Campbell	Grant	Kenton	Oldham	
Christian	Hardin	Madison	Scott	
Clark	Harrison	Marshall	Shelby	

Elderly projects located in these urban counties will NOT receive points.

PROJECT DESIGN AND LOCATION

1. *Building Design*

- a. **Brick, stone or Hardy plank** - Every building of the proposed project must have **50 percent** of the total exterior walls covered with materials of brick, stone or hardy plank and document these materials in the specifications or work write-up in order to receive five points in this area.

For those projects covering **100 percent** of the total exterior walls of every building with materials of brick, stone or hardy plank and document these materials in the specifications or work-write up, ten points will be received in this area.

- b. **Converting existing structures to rental housing** – (This is not considered preservation of existing rental stock) Points will be awarded in this category for projects that are rehabbing existing buildings into rental units. Examples would include old school buildings, old hospitals, etc. Please submit pictures of the existing building and include all rehab work in the specifications and/or a comprehensive work-write up in order to receive points.

- c. **Energy Star** - Projects that earn Energy Star points must meet guidelines for energy efficiency set by the U.S. Environmental Protection Agency. Energy Star qualified projects are at least 15 percent more energy efficient than units built to the 2006 International Energy Conservation Code (IECC).

Energy Star qualified projects can include a variety of energy-efficient features such as effective insulation, high performance windows, tight construction and ducts, efficient heating and cooling equipment and Energy Star qualified lighting and appliances.

Through Energy Star, builders and other home industry professionals can differentiate themselves in the market. New projects that qualify as Energy Star provide greater comfort and durability for tenants. In addition, Energy Star qualified projects help protect the environment by reducing the greenhouse gas emissions associated with global warming.

For additional information on Energy Star guidelines, please see <http://www.energystar.gov/>.

Points under this section will be awarded for utilization of the following combination of Energy Star rated products and energy efficiency technologies during construction. In order to receive points in this category one of the following must be incorporated into the specifications and/or work write-up:

- a) Inclusion of Energy Star rated heating and cooling products. Homes equipped with heat pumps which have programmable thermostats shall be required to use “adaptive recovery” technology in order to prevent excessive use of electric back-up heating.
- b) Energy Star rated windows.
- c) Five or more Energy Star qualified light fixtures, appliances, ceiling fans equipped with light fixtures and/or ventilation fans. No less than three of the five must be Energy Star rated appliances.

- d. **Green Construction** - The Leadership in Energy and Environmental Design (LEED) Green Building Rating System™ is the nationally accepted benchmark for the design, construction, and operation of high performance green buildings. LEED gives building owners and operators the tools they need to have an immediate and measurable impact on their building’s performance. LEED promotes a whole-building approach to sustainability by recognizing performance in five key areas of human and environmental health: sustainable site development, water savings, energy efficiency, materials selection, and indoor environmental quality. For additional information please see <http://www.usgbc.org/>.

New Construction and Rehabilitation projects that incorporate in their plans and specifications Green Building techniques will receive these points if the project incorporates at least four of the following LEED building criteria’s:

- a) Locate project within ¼ mile of one or more stops for two or more public or campus bus lines useable by building occupants.
- b) Prohibit smoking in the building and locate any designated smoking areas at least twenty-five feet away from entries, outdoor intakes and windows.
- c) All adhesives, sealants and primers used on the interior of the building shall comply with South Coast Air Quality Management District Rule #1168. Acceptable VOC limits are listed in the table provided at the following web address (<http://www.arb.ca.gov/DRDB/SC/CURHTML/R1168.PDF>)
- d) Use of fifty percent (50%) of wood based materials and products which are certified in accordance with the Forest Stewardship Council's (FSC) Principles and Criteria for wood building components.
- e) Place a minimum of fifty percent (50%) of parking spaces under cover.
- f) Open space – provide vegetated open space area equal to: 1) 20 percent of the project site area, or 2) equal to the building foot print. Vegetated open space is defined as gardens, plant beds, and fish ponds with plants, shrubs or trees.
- g) Provide an easily accessible area that serves the entire project and is dedicated to the collection and storage of non-hazardous materials for recycling, including (at a minimum) paper, corrugated cardboard, glass, plastics and metals. Property is responsible ensuring the proper disposal and removal of the recyclables.
- h) Install compact florescent light bulbs (CFLs) throughout the project.
- i) Utilize rapidly renewable floor materials such as bamboo, cork or eucalyptus.
- j) Provide covered storage facilities and racks for securing bicycles for fifteen percent (15%) or more of building occupants.
- k) Install a vegetated roof for at least fifty percent (50%) of the roof area.
- l) Install a programmable thermostat. (Note: If a heat pump is installed in the units, a programmable thermostat specifically designed for heat pump systems must be utilized.)
- m) Develop and implement a construction waste management plan that recycles or salvages at least fifty percent (50%) of non-hazardous construction and demolition debris.
- n) Install tankless water heater. (Note: Proper installation requires that the heating unit satisfies demand capacity and the manufacturer's energy requirements be strictly followed.)
- o) Use recycled, salvaged, refurbished or reused materials such that the sum of these materials constitutes at least ten percent (10%) of the total value of materials on the project.

- p) Use building materials which have been extracted, harvested, recovered or manufactured within five hundred (500) miles of the project site for a minimum of ten percent (10%) of the total material costs.
- q) Use carpeting which meets the product testing requirements of the Carpet and Rug Institute's Green Label Plus program. <http://www.carpet-rug.org/about-cri/cri-signature-programs/green-label-plus-carpet.cfm>.

2. *Project Size*

Points will be awarded in this category if doing 11 units or less. Please indicate in the application the number of units.

3. *Plans and Specifications*

NOTE: For further, complete guidance on KHC Plans and Specification Requirements, refer to Rental Production Application and Programmatic Guidelines, Chapter 10.

- a. If plans are submitted to proper scale and meet KHC's requirements for "preliminary" plans, ten points will be awarded.
- b. If plans are submitted but require any type of revisions to meet KHC's requirements for "preliminary" plans, five points will be awarded.
- c. If plans are not to proper scale, incomplete, do not meet KHC's requirements for "preliminary" plans, or no plans are submitted at all, there will be no points awarded.

Plans -Building Floor Plan—To receive full points in this section, the submitted plans must conform to the following guidelines: Drawings should be at 1/8" for building plan and 1/4" scale for unit plan.

- Provide overall exterior building dimensions and show the different unit types that exist in each building.
- Show all adjacent walks, stoops and/or patios (optional at this stage).
- Show location of all party and firewalls.
- Wall thickness and exterior finishes.
- Complete dimension of each typical unit so that room sizes can be determined.

Elevations – (Photographs that clearly show all elevations of buildings may be submitted in lieu of elevation drawings at application for rehabilitation projects.) The elevations at a minimum should show the following:

- Exterior wall finishes.
- Window and door openings.

- Roof material and slope of roofs.

Specifications (Preliminary)

All outline specifications shall be written following the standard CSI format. Outline specifications shall specify products by model number and manufacturer for the sole purpose 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 if applicable:

- | | |
|------------------------------------|--------------------------|
| 1. General Requirements | 9. Finishes |
| 2. Sitework | 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 outline specifications should provide enough basic information to determine the quality and quantity of items that are specified. It should define the scope of work and provide basis for what type of material or product that is to be used.

Work Write-Ups (Preliminary) – Submit a description of each type of repair, change to existing structures and construction of new structures. If the development includes rehabilitation and consists of 12 units or more **and** requests \$250,000 or more of Kentucky Housing funding, a Physical Needs Assessment will be required at Technical Submission, if the application is approved for funding.

Below are items that need to be included in the work write-up:

- Describe new items or materials to be installed during construction.
- Provide a list of items to remain and describe any repair or renovation work to be performed.
- Provide a list of items to be removed and salvaged for re-use in the project and a complete description.
- Provide a list of items to be removed and the disposition of that item.
- If there is commercial space involved, then all cost associated with the rehabilitation of that space should be broken out separately. Any work that is required for both commercial and rental shall be prorated on square foot basis. For example; if a new roof is installed on a three-story building with the first floor commercial and the second and third floor rental and all three floors have the same square footage, then 1/3 of the cost for the roof should

be contributed to the commercial space. If the square footage were different then it should be done on a percentage of the total amount.

4. Project Amenities

Applicants that elect to include amenities in their projects will be required to provide and maintain these throughout the entire affordability period. The application must clearly state the type of amenities that are being offered for the project. More points are awarded for washer and dryers provided in the units due to the added expenses of the maintenance and replacement of these items.

Examples of unacceptable amenities include the following:

- A patrol around the apartment complex every few hours does not constitute as a security service/alarm provided in the unit.
- A resident checking on the well being of another resident does not constitute as a help/call system typically found in elderly and/or handicapped units.

5. Unique Marketable Attributes

- a.** A community room is an area separate from other areas such as the office or laundry facility. This is a designated area where individuals, families or groups can share a public environment and common interests.
- b-d.** In order to receive points in the Unique Marketable Attributes area, pictures of the type of commercial grade equipment must be sent as an attachment. A higher quality of equipment and permanent type fixtures are expected in order to increase the life expectancy in projects of this type. The specifications should reflect the commercial grade equipment that will be used. In order to comply with Fair Housing, the community areas and playground areas must be made handicap accessible. This could include sidewalks and wider openings to playground, outdoor sitting/community areas and outdoor grilling areas. It is strongly suggested that you consult your insurance agent regarding the cost of insurance prior to pledging any playground, grilling areas or other outdoor equipment. The insurance for these amenities may be costly.
- e-f.** Additional storage areas and private patio/deck areas must be provided for individual units in order to receive points for these amenities. Any additional storage or patio/deck areas should be shown on the plans and specifications. Normal closet space and pantries will not be considered an additional storage area.
- g.** To receive points in this area, the application narrative as well as the specifications must include a fenced back yard area with a single family unit.
- h.** All other amenities provided must be listed here with a full description of the amenity listed in the narrative section of the application. Only one additional point will be awarded in the other category.

Examples of unacceptable Amenities and Unique Marketable Attributes include the following:

- A grassy fenced area does not constitute as a playground.
- A dirt area with spray painted lines and a movable basketball goal does not constitute as a basketball court.
- A charcoal grill and a folding chair nearby does not constitute as an outdoor grill area with grills.
- A patio table with an umbrella does not constitute as a gazebo or covered structure.
- A swing set and/or play ground equipment from the local store designed for one or two children does not constitute as a type of play ground equipment necessary for an apartment complex. A commercial/industrial grade of equipment is expected especially in family designed complexes.

6. *Site Design and Location*

- Flood Plain*** - Points in this area will be awarded to applicants that submit a copy of the applicable flood plain map indicating that their project is not located in a flood zone or waterway. The project site **must be clearly indicated** on all copies of the map or points will not be awarded. If there is not a FEMA map for the area of the proposed project, contact local insurance companies, surveyor or local county office for certification of whether the project is in a flood zone or not. If the property has been built up out of a flood zone for the proposed project, a licensed surveyor's report for the reclassification must be attached.
- On Site Parking*** - Points will be awarded for projects that submit a site plan that identifies one on-site parking space per unit for elderly/special needs projects and at least one and a half on-site parking spaces for family projects. This **must be indicated** on the site development plan.

The site development plan must be on no larger scale that 1 inch equals 20 feet or not smaller scale than 1 inch equals 40 feet and must include the following:

- Show the property lines with metes and bounds (required if a full blown site plan has been completed, if not it will be required at a later stage).
- Show the footprint of all buildings to include existing structures, if applicable and those that are to be removed, if applicable.
- All parking and streets (the following is optional at this stage: walks, curbs, dumpster pads, playground areas, etc.).
- Provide dimensions that show building location from property lines, parking, walks, etc.
- All setback requirements, if applicable.
- Show all existing and new utilities. (Will need to include this on site plan in order to receive points under Ready to Proceed section).

- c. If the proposed project is located in Wolfe, Breathitt, Owsley or Lee counties, ten points will be awarded.

7. Community/ Neighborhood Renewal Efforts

- a. To receive points in this area, projects must submit a copy of the Community Revitalization Plan (CRP) or Neighborhood Redevelopment Plan (NRP) adopted by the city or county **and** a letter from the Mayor or County Judge Executive confirming the property is located in this area. The CRP/NRP must have been officially adopted by the local government within the past 15 years.

A CRP or NRP is defined as a published document, approved and adopted by the local governing body by ordinance or resolution, that targets geographic areas (**the geographic area cannot be the entire town or city that has adopted the plan**) for both commercial/retail and low-income residential development (serving residents at, or below, 60% of the area median income.)

Only in areas where a CRP has not been established, a Neighborhood Redevelopment Plan (NRP) within the City or County’s Consolidated Plan is acceptable. Also required is a letter from the Mayor or County Judge Executive stating a CRP is not available and confirming the property is located within the Neighborhood Redevelopment Plan area

In addition, the proposed project when completed should support one or more of the CRP/Neighborhood Redevelopment Plan goals and objectives.

- b. **Housing Characteristics**

Number of points will be determined based upon housing need which is derived from configuring the following numbers: number of units below poverty level, number of substandard housing units, number of vacant units and total number of housing units. If a project is proposing scattered sites, the county which has the least number of points will be used. For example: if a scattered site project is being proposed with one unit in each of the following three counties; Allen County –5 points, Lee County – 7 points and Russell County – 6 points; 5 will be the maximum points this project will receive in this section.

County	CHNS	County	CHNS	County	CHNS	County	CHNS
Adair	6	Allen	5	Anderson	3	Ballard	3
Barren	5	Bath	5	Bell	9	Boone	3
Bourbon	6	Boyd	5	Boyle	5	Bracken	4
Breathitt	8	Breckinridge	4	Bullitt	3	Butler	4
Caldwell	4	Calloway	6	Campbell	4	Carlisle	3
Carroll	5	Carter	5	Casey	6	Christian	6
Clark	4	Clay	9	Clinton	7	Crittenden	4
Cumberland	6	Daviess	4	Edmonson	4	Elliott	6
Estill	7	Fayette	6	Fleming	5	Floyd	7
Franklin	5	Fulton	8	Gallatin	4	Garrard	5

County	CHNS	County	CHNS	County	CHNS	County	CHNS
Grant	4	Graves	5	Grayson	5	Green	5
Greenup	4	Hancock	4	Hardin	4	Harlan	8
Harrison	5	Hart	5	Henderson	5	Henry	4
Hickman	4	Hopkins	4	Jackson	6	Jefferson	5
Jessamine	4	Johnson	6	Kenton	4	Knott	6
Knox	9	Larue	4	Laurel	5	Lawrence	7
Lee	7	Leslie	7	Letcher	6	Lewis	6
Lincoln	5	Livingston	3	Logan	5	Lyon	3
McCracken	6	McCreary	7	McLean	6	Madison	5
Magoffin	7	Marion	6	Marshall	6	Martin	10
Mason	5	Meade	4	Menifee	5	Mercer	4
Metcalfe	6	Monroe	7	Montgomery	5	Morgan	6
Muhlenberg	4	Nelson	4	Nicholas	5	Ohio	4
Oldham	2	Owen	5	Owsley	9	Pendleton	4
Perry	7	Pike	6	Powell	7	Pulaski	5
Robertson	5	Rockcastle	6	Rowan	7	Russell	6
Scott	4	Shelby	3	Simpson	4	Spencer	3
Taylor	6	Todd	5	Trigg	3	Trimble	4
Union	4	Warren	6	Washington	4	Wayne	7
Webster	4	Whitley	7	Wolfe	9	Woodford	3

Common rounding is being used in scoring calculation.

Please Note: Regardless of the Community Housing Needs Score (CHNS), a Market Study demonstrating need will still be required before KHC will fund any project.

8. *Preservation*

Preserving existing rental stock - (Minor rehabilitation is NOT included.) Minor rehabilitation is considered to be more than cosmetic appearance rehabilitation or normal day to day wear and tear rehabilitation. Projects that are rehabilitating existing rental units in order to preserve the rental stock will receive 25 points in this area. Please submit pictures that show building(s) as an existing rental development and include rehab work in specifications or comprehensive work write-ups in order to receive points in this category.

9. *Tenant Relocation*

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

This section refers to the rehabilitation of dilapidated or vacant buildings and not displacing low- or moderate-income households, or if such displacement will occur, assuring that the households will be assisted to minimize the impact of such displacement is vital to a successful community stability plan.

- a. Fifteen points will be awarded to projects if a building is vacant due to unsuitable living conditions. A letter must be submitted stating that the building is vacant and that there will be no relocation.

- b.* Ten points will be awarded to projects that propose rehabilitation of an existing building but will not permanently displace current residents. Residents will still reside at the project. A copy of the proposed relocation plan must be submitted that outlines how the individuals will be displaced during the rehabilitation phase, however, if a project is requesting federal funds the requirements of the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970 as amended (URA) must be submitted to document that no current residents will be permanently displaced. Additional letters to current residents can be found with the application attachments.
- c.* Five points will be awarded to projects that propose rehabilitation of an existing building and in doing such rehabilitation the current tenants will be forced to permanently relocate to another facility, but the project will provide full relocation assistance and pay all expenses incurred by the residents. A plan must be submitted that outlines how the relocation will be proposed, however, if a project is requesting federal funds, the plan must be outlined in the URA. This plan must be submitted to document compliance with URA. Additional letters to current residents can be found with the application attachments.

READY TO PROCEED

1. Funding Commitments

In order to receive points in this area, applicants that are bringing other sources of funds into the project (other than Kentucky Housing funds) can receive additional points based upon the commitment of funds letter that is submitted. The letter needs to be specific as to the terms of the funding and should be on the funding source's letterhead. Loan commitments should list the rate, term and amount of the loan and grant commitments should list the grant amount. If the applicant is receiving donated materials or labor, a commitment letter should be submitted detailing the donated materials or labor and the value of the donation. Projects which have received a firm commitment for additional subsidies from Federal Home Loan Bank for Affordable Housing Program (AHP), commitment from HUD for HOPE VI funds, HOME funds (KHC's HOME funds do not qualify), Rural Development, Section 8 Rental Assistance (local housing authority), a commitment from a city or county for CDBG funds are also included in this category.

- a.* If *all* other funding has been committed, ten points will be awarded. A copy of the firm commitment that includes all terms and the amount of the funding source on the funding agency's letterhead must be submitted,
- b.* If *some* of the funding sources have been committed, then the applicant can receive five points, provided a firm commitment letter (on the funding source letterhead) is submitted that includes all terms and the amount of the funding source.

- Current Lease Agreement/Option to Lease

For additional guidance on Site Control requirements, please refer to Chapter 10 of the Rental Production Application and Programmatic Guidelines.

- a.* If applicant has site control, 15 points will be awarded. If project is proposing scattered sites, **all** sites must have site control in order to receive these points.
- b.* If applicant has some site control but not on all sites, five points will be awarded. For example, if project is proposing four scattered sites and has site control for only three of the four, five points will be awarded.
- c.* There will be no points awarded if the applicant has no site control.

FINANCIAL DESIGN

1-3. Rent Restrictions - This section is for scoring purposes only and is testing **rent restrictions only**. Rent restrictions will be reviewed and scored based on what is put in the Underwriting Model. This is not a test for the level of area median income (AMI) being served. The level of AMI being served will be indicated in the application.

The Housing Credit rent chart for the given market area should be used to determine which level of rent restriction the project is within. **This chart is to be used for all projects regardless whether the project is requesting Housing Credit.** Using this chart to award points for lower rents will give all counties that have an AMI below the statewide non-metro a scoring advantage.

Note: Selected rent restrictions will be incorporated into all Kentucky Housing applicable legal documents.

To determine which sections to check under each rent restriction level, do the following analysis of the project rents:

1. Compare each rent proposed to the Housing Credit rent chart for the appropriate county at each rent level (50% and 60%). For the rent to be considered at each level the rent must be equal to or less than the rent published for that rent level.
2. To determine if the rent being proposed is equivalent to or less than the 30% rent restriction level, a calculation will need to be done to determine the 30% rent level. Divide the 60% rent level by 2. This will be the 30% rent level for each bedroom type for the proposed county.
3. Once you have determined the rent restriction level of each rent, determine how many units (as a percentage of the total number of units) are at the 60% level, how many are at the 50% level and how many are at the 30% level.

4. Choose your scoring level based on the percentage of units at the rent levels listed.

Example:

Allen County
Proposed Rents

1BR = \$240 (2 units)	2BR = \$290 (1 unit)
1BR = \$380 (4 units)	2BR = \$425 (3 units)
1BR = \$455 (6 units)	2BR = \$500 (4 units)

Total number of units 20 units

1BR 60% rent is \$490 (as shown on rental chart)
1BR 50% rent is \$408 (as shown on rental chart)
1BR 30% rent is \$245 (calculated shown in # 2 above)

2BR 60% rent is \$588 (as shown on rental chart)
2BR 50% rent is \$490 (as shown on rental chart)
2BR 30% rent is \$294 (calculation shown in # 2 above)

Based on the proposed rents there are 3 total units with rents at or below the 30% rent restriction level. Two 1BR units and one 2BR unit. Three units divided by 20 total units would be 15 percent.

There are 7 units at/or below the 50% rent restriction level. Four 1BR units and three 2BR units. Seven units divided by 20 total units would be 35 percent.

And finally, there are 10 units at or below the 60% rent restriction level. Six 1BR units and four 2BR units. Ten units divided by 20 total units would be 50 percent.

All percentages should total 100 percent.

NOTE: The rent levels, number of units, etc. used in this example, are for illustrative purposes only and are not in any way intended to be an example of an acceptable project.

4. Leverage

- a. If requesting 0 percent of total development costs in the form of a KHC grant or deferred loan, 20 points will be awarded.
- b. If requesting up to 10 percent of total development costs in the form of a KHC grant or deferred loan, 15 points will be awarded.

- c. If requesting 10.1-15 percent of total development costs in the form of a KHC grant or deferred loan, 10 points will be awarded.
- d. If requesting 15.1-20 percent of total development costs in the form of a KHC grant or deferred loan, 5 points will be awarded.
- e. If requesting 20.1 percent or more of total development costs in the form of a KHC grant or deferred loan, no points will be awarded.

If a project is requesting Housing Credits (HC), the HC equity will not be considered in the total amount requested from KHC.

Example:

HOME deferred loan	\$ 300,000
Conventional Loan	\$1,000,000
HC Equity	<u>\$1,500,000</u>
 Total Development Costs	 \$2,800,000

For the purpose of determining how much is being requested from KHC, all KHC funds except Housing Credit equity should be totaled. In this example, since the Housing Credit equity is not included, the total requested from KHC is \$300,000.

The next step is to divide the Kentucky Housing funds requested in the form of a grant, deferred forgivable or deferred loan by the total development costs:

$$\$300,000 / \$2,800,000 = 10.71 \text{ percent}$$

Based on this example, this project would receive 10 points because 10.71 percent is less than 15 percent. To receive the 20 points, the percentage must be 5 percent or less.

These numbers are a mathematical example only for illustrative purposes and are no way intended to indicate the level of funding that is acceptable from any source.

Financial Feasibility

Project Feasibility

A project is financially feasible when **all** (including federal, state, local and/or Kentucky Housing) programmatic guidelines are met and the project is still viable. Rents and expenses should be reasonable, the Sources and Uses must balance and the debt coverage ratio (DCR) must be appropriate for the size of the project.

A review of the submitted underwriting model along with the information in the overall application will be reviewed. **If a contradiction exists between the underwriting model and**

the application, the information in the underwriting model will be used. The project must remain financially feasible, as defined above, with the changes. If the changes cause the project to no longer be financially feasible, the project will not receive funding.

Development Team Creditworthiness

Applicant must submit all required documentation on the application checklist in order for Kentucky Housing to determine if the entity is financially feasible. If documentation is not submitted to determine this review, the application will be denied.

If the applicant is applying for funds that require a guarantee, then the appropriate financial documents will be reviewed to confirm the ability to guarantee the level of funding requested. If funds are being pledged to the project, the bank statements will be reviewed to verify adequate funds are currently available.

If the applicant is applying for funds that do not require a guarantee, then the appropriate documents are reviewed to show credit worthiness. The review will verify that the applicants' other business ventures and/or personal finances, where applicable, are handled in an effective, efficient manner. Discrepancies between credit reports and financial statements are a red flag. Low paydex scores for business reports and low FICO scores for personal credit reports are also red flags and may require more information to be requested. Near term liabilities that the applicant is not likely to satisfy or financial statements that do not match tax returns are also areas that may require further explanation.

Other than review for cash pledged or guarantees provided, the review is to find a track record that the proposed owner/developer has a history of managing finances in an efficient manner in his/her other business practices and is an acceptable risk to Kentucky Housing to develop this project.

NOTE: Kentucky Housing reserves the right to request additional financial information as needed. Kentucky Housing deals with all financial information in a confidential manner. This information is never shared with any other entities.

BONUS OPPORTUNITIES

Listed below is an opportunity to earn an additional 30 points just by double checking what you are sending into KHC is a complete application. By doing these few simple things you can make sure your application is the best you can make it, as well as, receive additional points. There are **no exceptions** in receiving these bonus points.

1. **ALL** attachments checked on the check list **MUST** be submitted to receive ten bonus points.
2. Self-scoring sheet **MUST** be completed and attached to receive ten bonus points.
3. Correct number of copies of **ALL** attachments **MUST** be sent to receive ten bonus points.

Applicant Scoring Checklist

In order to receive points in the five different criteria's of the application score sheet, certain documents must be received. If the documents below are not submitted, then points in any area that require documentation will not receive be awarded. If documents are not submitted at the application stage and are a requirement for funding, they will be required at the next stage if approval is granted.

Development Team

- Proof of having received Technical Assistance from KHC's Rental Production Staff (as required per Capacity of Development Team, section 2d of the Scoring Guidelines)

Sponsor Characteristics

- Certification of minority or female controlled development entity (if applicable)

Supportive Services/Tenant Referral Plans

- Professional Services letter of commitments/agreements
- Paraprofessional or community support services documentation

Plans & Specifications

- Preliminary Plans
- Preliminary Specifications/Work Write-up

Site Design and Location

- Copy of Flood Plain Map or proper documentation if no flood plain map exists. Indicate on the map the location of the site. (Refer to Chapter 8 of Application Guidelines)
- Site plan

Community/Neighborhood Renewal Efforts

- Community Revitalization Plan or Neighborhood Redevelopment Plan **AND** Letter from Mayor or County Judge Executive (if applicable)

Preservation

- Photograph Showing Existing rental Structure

Tenant Relocation

- Relocation Plan or Letter

Funding Commitments

- Firm Commitment Letter(s) for additional non-Kentucky Housing funding sources (to include all terms, if applicable)

Other Funding

- Proof SHPO has received and approved plans and specifications according to their guidelines (If Completed)
- Commitment letter for donated land, material, and/or Section 8 rental assistance and additional subsidies

Zoning

- Zoning letter(s)

Site Control

- Evidence of Site Control and any deed/subdivision restrictions that may apply