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RHP COMPETITIVE SCORING GUIDELINES

The application funding is based on a three phase review process. Applications must pass all three phases of review before funding will be determined. Failure to successfully meet the requirements of any phase will result in the application being rejected. These guidelines are designed to ensure applicants understand the requirements of the three phases and documentation.

All projects that successfully complete Phases I, II, and III will be ranked according to their assigned score from Phase II. Projects will be reviewed on the basis of the documentation contained within the application. If documents on the application checklist are not submitted, then the project will not meet the Threshold Requirements. If documents on the scoring checklist are not submitted, then applications will not receive points in those areas. It is the responsibility of the applicant to ensure all required documentation is submitted. Projects will be ranked according to their score and those with the greater number of points will receive funding.

Phase I – Threshold Requirements

All threshold requirements are based upon the performance of the development team which includes the developer, consultant, management agent, application preparer, general partner(s) and non-profit partner(s). If an application is not approved at the Threshold Requirement stage, the application will not be reviewed further.

This phase also encompasses submission of all required documentation for application review listed on the application checklist. If an applicant has failed to submit the required documentation listed on the application checklist, then the project will not move forward. However, if the applicant submits all required documentation on the checklist for application approval, but fails to submit documentation required to receive points for the Phase II Score sheet, then points will not be awarded for that section.

If an applicant or a member of the development team has never developed a low-income housing development through KHC then they can request Technical Assistance through one of the rental Program Representatives/Specialist in order for their application to meet Threshold Requirements. The applicant or a member must request this Technical Assistance *at least* two months 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 team to move forward with the application process. Even though the development team may receive technical assistance, this does not guarantee the project will be awarded funds.

If an application meets all requirements in Phase I, then the application will proceed to Phase II.

Phase II – Application Score Sheet

Phase II is the scoring process. During this phase, applications will be scored on capacity of the development team, financial design, project design and location, targeting plan and ready to proceed. Applicants must receive a minimum score of 245 in order to move into Phase III.

A. Development Team

Sponsor Characteristics—Applicants must submit a copy of their certification that they have been approved by the state and meet all requirements according to Certification (49 CFR Part 26 and 600 KAR 4:010) to document that they are a minority or female controlled and managed entity.

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 of member interest must be owned by socially and economically disadvantaged individuals.

For additional and more specific information on the requirements of the Certification process, please go to osdbuweb.dot.gov/business/dbc/index.html

B. Financial Design

Rent Restrictions—This section is being used for scoring purposes only and is testing **rent restrictions only**. 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.

To determine which sections to check under each AMI 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 income 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 income level.
2. To determine if the rent being proposed is equivalent to or less than the 30% AMI 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 AMI 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% AMI level. Two 1BR units and one 2BR unit. 3 units divided by 20 total units would be 15%.

There are 7 units are or below the 50% AMI level. Four 1BR units and three 2BR units. 7 units divided by 20 total units would be 35%.

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

All percentages should total 100%.

Based on the scoring criteria, this project would receive 10 points. The rents at 30% of AMI were not a high enough percentage to receive any points in this area, but received 5 points in the 50% AMI area (25% point level) and 5 points in the 60% AMI level (50% point level).

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.

C. Project Design and Location

Building Design

Qualified Contract—A request for a Qualified Contract (QC) allows eligible owners of projects utilizing federal low-income housing tax credits to exit the tax credit program after the end of the 15-year initial compliance period. After the last day of the fourteenth year of the initial compliance period an eligible owner of a project utilizing federal low-income housing tax credits may request a QC pursuant to IRC §42(h)(6)(E) for the deposition of the low-income portion of the development. For projects proposing the acquisition of an existing project through a qualified contract, the applicant must submit with the application a copy of the request for the Qualified Contract from the seller.

Energy Star—Projects that earn the Energy Star must meet guidelines for energy efficiency set by the U.S. Environmental Protection Agency. Energy Star qualified projects are at least 15% 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:

- 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.

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 buildings’ 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/>.

Projects that incorporate in their plans and specifications Green Building techniques will receive these points if the project incorporates three 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.
- 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.

Plans and Specifications

Please refer to Rental Production Application and Programmatic Guidelines, Chapter Eight for additional guidance.

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 - 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 manufactures 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 manufactures.

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 KHC funding, a Physical Needs Assessment will be required at the **next stage**, 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.

Project Amenities

Applicants that elect to include amenities in their projects will be required to provide and maintain these amenities throughout the entire compliance period.

Site Design and Neighborhood Compatibility

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.

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 site parking spaces for family projects. This will be indicated in the site development plan.

The site development plan must be on no larger scale than 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 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).

Site Location/Community Renewal Efforts

Qualified Census Tract/Difficult to Develop Area—To receive points in this area, projects must submit a copy of the city or county adopting the Community Revitalization Plan **and** a letter from the Mayor or County Judge Executive confirming the property is located in this area.

Other Funding Commitments—Points are awarded based upon the submission of firm commitments from other funding sources.

Community Stability

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.

Points will be awarded to projects that propose rehabilitation of an existing building but will not permanently displace current residents. A copy of the relocation plan that meets 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.

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, but the project will provide full relocation assistance and pay all expenses incurred by the residents as outlined in URA. A copy of the projects relocation plan must be submitted to document compliance with URA.

Tenant Empowerment

Projects that will assist residents in making efforts to attain better economic opportunities will receive points in this section. Such programs include:

Employment/Job Training Services—Points will be awarded to projects that submit Memorandums of Agreement (MOA) with an Employment/Job Training Services provider.

Education Program (GED/Post Secondary)—Points will be awarded to projects that submit a MOA with a service agency that provides GED or Post Secondary educational services.

Daycare/Eldercare Services—Points will be awarded to projects that submit a MOA with a service agency that provides Daycare/Eldercare services.

Head Start/Latch Key Services-- Points will be awarded to projects that submit a MOA with a service agency that provides Head Start/Latch Key Services.

Transportation-- Points will be awarded to projects that provide transportation services to the residents. A copy of the projects transportation plan and policies must be submitted with the application.

Case Management Services-- Points will be awarded to projects that provide case management to the tenants. This does not include management that is a part of the special housing needs service and tenant referral plan for projects funded from the set-aside. A copy of the case management plan must be submitted.

D. Targeting Plan: Populations with Special Needs

Applicants may propose projects for special needs households exclusively, or that set aside a portion of the project units for these households. However, special needs projects should strive to be integrated and non-stigmatizing, so 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 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.

KHC, 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, KHC 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 and victims of domestic violence

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 KHC for guidance.

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 five units must be rented to individuals in that special needs population at all times. Points are awarded based upon the percentage of units set aside.

Before developing the supportive services plan, 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 frail elderly project residents would not be eligible to receive the points in this section. 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.

Supportive Services/Tenant Referral Plans

In order to receive points in this area, the applicant must submit a service plan. If an applicant fails to submit a service plan or the plan 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. When submitting the service plan the four questions asked below under Service Plan must also be included in your plan in order to receive points.

Maintaining a Project Waiting List

Projects can be targeted to 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, life skills 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.

The Supportive Services Plan

So that all the supportive services plans can be reviewed quickly and efficiently, the following format, which consists of detailed answers to specific questions, is required.

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.
- 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).
- 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. Additionally an estimate of the number that will be referred to the specific project annually or monthly must be provided.

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 that 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 is 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 KHC Specialized Housing Resources Department. It can be found at www.kyhousing.org/uploadedfiles/HFC/Specialized_Housing/CO_Cmanual.pdf
- 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.

Question 3. 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.

E. Ready to Proceed

Commitments

In order to receive points in this area, if applicants are bringing other sources of funds into the project then points can be awarded based upon the commitment of funds letter that is submitted. If an applicant has

received a final commitment of other funds, please have them include in their approval letter all terms and amount of the funding source.

Zoning

Applicants must submit proper zoning documentation to receive points in this category documentation must be one of the following:

- A letter from the local zoning board or governing authority (in the event the county does not have zoning, a letter from the county judge or mayor should indicate there is no zoning present). The letter should also include the type of zoning that is in place and that final approval has occurred. If the proposed project site will need a zoning change, then the applicant must submit a letter that indicates when the change will occur and the applicant will not receive the full amount of points.
- A local zoning map that shows the classification of the proposed site and neighboring sites. The location of the site must be clearly indicated on the map.

Infrastructure

Applicants must submit letters from the local utility companies indicating the availability and the available capacity of utilities to the proposed site. The letter should also include the cost of all connection fees, tap fees and/or relocation cost if any, and these costs 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 the upgrades, additions and changes are accepted.

Phase III – Financial Feasibility/Market Need

Phase III is the final phase of the application review process. This phase consists of financial feasibility and market need. If it is determined that the project is not financially feasible, or there is no market need, then the project will be denied, regardless of whether it meets the threshold requirements or reached the minimum score in Phase II.

Financial Feasibility

Project Feasibility

A project is financially feasible when **all** (including federal, state, local and/or KHC) 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 application will be used and the underwriting model will be changed. 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 KHC to determine if the entity is financially feasible. If documentation is not submitted to determine this review, could result in the application being 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 the 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/applicant has a history of managing finances in an efficient manner in his/her other business practices and is an acceptable risk to KHC to develop this project.

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

Market Feasibility

Each project will be required to submit evidence of need for the proposed project. Projects of 11 units or less and not requesting Housing Credits will be required to submit a "Needs Analysis" from a third party analyst. The analyst must be on

KHC's approved market study provider list. The guidelines provided by KHC for a Needs Analysis must be followed.

Projects of 12 units or more and/or requesting Housing Credits must submit a "Market Study" from a third party analyst. This analyst must be on KHC's approved market study provider list. The guidelines provided by KHC for a Market Study must be followed.

The needs analysis or market study will be reviewed to determine if a need exists in the proposed market area for the number of units and the unit configuration. This need must exist without adversely affecting other affordable housing in the same market area.

The capture rate will be one method of determining this need, but will not be the only factor. Overall vacancy rates in the area will be considered, the rent level being proposed and how it compares to market achievable rents. The overall recommendation of the market analyst will also be considered.

Typically a capture rate of 30% or below is acceptable. If the capture rate is higher, there may be compensating factors that would make the project acceptable. These determinations will be made on a case by case basis.

Refer to KHC's market study guidelines for additional information.

Applicant Scoring Checklist

In order to receive points under the five criteria's of the application score sheet, certain documents must be received. If the documents below are not submitted, then the applicant will not receive those points in that section. If documents are not submitted at the application stage and the project receives enough points to move forward, they will be required at the next stage if approval is granted.

	1. Certification of minority or female controlled development entity.
	2. Qualified Contract (if applicable)
	3. Preliminary Plans
	4. Preliminary Specifications/ Work Write-up
	5. Flood Plain Map
	6. Site Plan
	7. Community Revitalization Plan/ Letter from Mayor or County Judge Executive confirming property is located in CRP area (if applicable).
	8. Relocation Plan (if applicable)
	9. Memorandum's Of Agreement (MOA) for tenant empowerment services.
	10. Special Needs Service Plan (if applicable)
	11. Commitment Letters (if applicable)
	12. Zoning Letters
	13. Utility Letters