



Annual Action Plan

The CPMP Annual Action Plan includes the SF 424 and Narrative Responses to Action Plan questions that CDBG, HOME, HOPWA, and ESG grantees must respond to each year in order to be compliant with the Consolidated Planning Regulations.

Contents

<u>Executive Summary</u>	2
<u>Citizen Participation</u>	5
<u>Resources</u>	6
<i>SOURCES OF FUNDS</i>	7
Federal and Non-federal Resources	7
Rental Housing Assistance	7
Homeownership Assistance	8
Homelessness Assistance	8
Special Needs Assistance	9
Community and Economic Development Assistance	9
<u>Annual Objectives</u>	11
<u>Description of Activities</u>	14
<u>Geographic Distribution/Allocation Priorities</u>	19
<u>Annual Affordable Housing Goals</u>	26
<u>Public Housing</u>	27
<u>Homeless and Special Needs</u>	29
<u>Barriers to Affordable Housing</u>	33
<u>Other Actions</u>	34
<u>CDBG</u>	58
<u>HOME</u>	115
<u>ESG</u>	125
<u>HOPWA</u>	127
<u>MONITORING</u>	128

Narrative Responses

ACTION PLAN

Executive Summary

91.220(b) (State: 91.320 (b))

1. *The Executive Summary is required. Include the objectives and outcomes identified in the plan and an evaluation of past performance.*

Kentucky Housing Corporation (KHC) and the Department for Local Government (DLG) administer housing and community development programs with annual funding from the U.S. Department of Housing and Urban Development (HUD). The overall strategy for the use of funds from the Home Investment Partnerships (HOME) Program, the Community Development Block Grant (CDBG) Program, Emergency Shelter Grant (ESG) Program and Housing Opportunities for Persons with Aids (HOPWA) Program are outlined in Kentucky's Consolidated Plan. The current Consolidated Plan is for the period of federal fiscal years 2010 through 2014. The Consolidated Plan and this Action Plan can be accessed on KHC's Web site at www.kyhousing.org.

This annual Action Plan to Kentucky's 2010-2014 Consolidated Plan serves as the state's application for the appropriation of essential federal funds from HUD for the above-referenced programs through HUD's Office of Community Planning and Development (CPD). This Action Plan establishes the annual goals for affordable housing and community development in keeping with the overall strategy in the Consolidated Plan. KHC is the lead agency for development of the annual Action Plan.

This Action Plan includes information about the overall goals and objectives for the coming year with a description of available resources and proposed actions to address the identified needs. It also includes information about the specific activities and allocation of available resources for the federal block grant programs covered by the Action Plan.

During federal fiscal year 2010, Kentucky plans to dedicate resources to existing initiatives that have been in place to address the housing and community development needs of persons of low to moderate income. In addition, approximately 11 percent of CDBG funds will be dedicated to providing operational costs to support the Recovery Kentucky Program.

During the time period covered by this Action Plan, KHC intends to continue to focus resources toward the housing needs of persons who are homeless and at risk of homelessness. KHC also intends to continue efforts to help individuals and families become self-sufficient and to increase the number of families who become homeowners. Through the Homeownership Protection Center

established by state legislation, KHC is also focusing efforts on foreclosure prevention and mitigation. Weatherization funds and other funds from the Department of Energy will be used to make homes more energy efficient.

Multifamily rental property developments that have been unable to proceed with construction and rehabilitation will be completed due to additional funding under the American Recovery and Reinvestment Act. Construction and rehabilitation of owner-occupied housing will be funded as well as funds for homeownership and rental assistance.

The HUD CDBG Program will provide assistance to communities for use in revitalizing neighborhoods, expand affordable housing and economic opportunities, provide operational costs for Recovery Kentucky Substance Abuse Centers, provide infrastructure and improve community facilities. With the participation of their citizens, communities can devote these funds to a wide range of activities that best serve their own particular development priorities.

The overall housing goal of the Consolidated Plan is to provide decent, safe and affordable housing by maintaining and increasing affordable housing opportunities for lower-income Kentuckians. The overall goal for community development is to provide a suitable living environment and expanded economic opportunities for low-income people. These goals will be fulfilled by the activities described in this plan.

HUD has established a performance outcome measurement system for its programs. KHC and DLG have adopted the framework of HUD’s outcome measurement system as the foundation for establishing specific performance measures and outcomes for each HUD program covered by this plan. HUD’s basic framework is as follows:

	Outcome 1: Availability/Accessibility	Outcome 2: Affordability	Outcome 3: Sustainability
Objective 1: Suitable Living Environment	Enhance Suitable Living Environment Through Improved/New Accessibility	Enhance Suitable Living Environment Through Improved/New Affordability	Enhance Suitable Living Environment Through Improved/New Sustainability
Objective 2: Decent Housing	Create Decent Housing With New/Improved Availability	Create Decent Housing With New/Improved Affordability	Create Decent Housing With New/Improved Sustainability
Objective 3: Economic Opportunity	Provide Economic Opportunity Through Improved/New Accessibility	Provide Economic Opportunity Through Improved/New Affordability	Provide Economic Opportunity Through Improved/New Sustainability

Each activity, project and program funded by the programs covered by the Action Plan must meet the requirements of this framework.

Evaluation of Performance

Federal statutes governing these grant programs communicate three basic goals by which HUD evaluates performance under the plan. This Consolidated Plan announces Kentucky's strategy for pursuing these three statutory goals, which are:

1. Decent Housing, which includes

- assisting homeless persons obtain affordable housing;
- assisting persons at risk of becoming homeless;
- retaining affordable housing stock;
- increasing the availability of affordable permanent housing in standard condition to low-income and moderate-income families, particularly to members of disadvantaged minorities without discrimination on the basis of race, color, religion, sex, national origin, familial status or disability;
- increasing the supply of supportive housing which includes structural features and services to enable persons with special needs (including persons with HIV/AIDS) to live in dignity and independence; and
- providing affordable housing that is accessible to job opportunities.

2. A Suitable Living Environment, which includes

- improving the safety and livability of neighborhoods;
- eliminating blighting influences and the deterioration of property and facilities;
- increasing access to quality public and private facilities and services;
- reducing the isolation of income groups within areas through spatial de-concentration of housing opportunities for lower income persons and the revitalization of deteriorating neighborhoods;
- restoring and preserving properties of special historic, architectural or aesthetic value; and
- conserving energy resources and use of renewable energy sources.

3. Expanded Economic Opportunities, which includes

- job creation and retention;
- establishment, stabilization and expansion of small businesses (including micro-businesses);
- the provision of public services concerned with employment;
- the provision of jobs to low-income persons living in areas affected by those programs and activities, or jobs resulting from carrying out activities under programs covered by the plan;

- availability of mortgage financing for low-income persons at reasonable rates using non-discriminatory lending practices;
- access to capital and credit for development activities that promote the long-term economic and social viability of communities; and
- empowerment and self-sufficiency for low-income persons to reduce generational poverty in federally assisted housing and public housing.

Beginning in 2007, the state included HUD's framework for its outcome measurement system. Program activities were linked to the appropriate goal and objective identified in the matrix and performance measures were established. These measures are included in the Specific Objectives table located later in this plan.

Data is collected on each performance measure and is reported annually in the Consolidated Annual Performance and Evaluation Report (CAPER). Data gathered about activities undertaken during the time period this Action Plan is in place (July 1, 2010 to June 30, 2011) will be reported in the CAPER submitted to HUD by September 29, 2011. Each CAPER is made available on KHC's Web site for a minimum of 14 days' public comment period prior to submission to HUD. Availability of the report for review and comment is advertised in the Louisville Courier-Journal and Lexington Herald-Leader newspapers as well as via KHC's EGram to more than 15, 000 subscribers.

Citizen Participation

91.220(b) (State: 91.320(b))

2. *Provide a summary of the citizen participation and consultation process (including efforts to broaden public participation in the development of the plan.*

The state has adopted a Citizen Participation plan that is outlined in the 2010-2014 Consolidated Plan.

The State of Kentucky has adopted a citizen's participation plan to establish the policies and procedures that will be used to solicit citizen's input for the Consolidated Plan process. The policies are designed to encourage participation by low- and moderate-income persons, particularly those living in slums and blighted areas and in areas where CDBG funds are proposed to be used. The state will also encourage the participation of all Kentuckians, including minorities and non-English speaking persons, as well as persons with disabilities, and will provide accommodations as needed.

Prior to the development of the Consolidated Plan and this Action Plan the State of Kentucky, specifically the Department for Local Government and Kentucky Housing Corporation, held a public hearings to obtain views of citizens, public agencies, and other interested parties on community and housing needs on March 10, 2010. The hearing was be advertised fourteen (14) days in advance of the date of the hearing and was widely publicized through the use of direct electronic mail notification to more than 15,000 subscribers, Web

announcements and newspaper advertisements. At the hearing, the State presented information regarding the amount of funding the state expected to receive and the range of activities that may be undertaken.

In addition, this Action Plan was made available for written comment beginning April 8, 2010 through May 9, 2010. No comments were received during the public comment period.

Housing and community development needs and priorities have been determined through a collaborative process. A significant part of this process included soliciting citizen input and coordinating with state, local, public and private housing and social service organizations' data and needs. KHC and DLG actively solicited input prior to and during the planning and drafting phase for this Action Plan as part of its Consolidated Plan process. KHC held numerous public forums in December 2008 and January 2009 to engage the public in the planning process. The public forums were held throughout the state, allowing for the greatest amount of participation. The public, local agencies, nonprofits and interested parties were all encouraged to attend these events which were advertised in local newspapers and via KHC Egrams sent to a subscriber list of several thousand persons. In addition, surveys were undertaken obtain additional needs information. Information received from these processes has been used to guide the development of the five-year strategic plan and annual action plan.

Additional information about the Citizen Participation Plan is available in the Five-Year Strategic Plan.

3. Provide a summary of citizen comments or views on the plan.

Comments were received prior to drafting the plan. No additional comments were received during the 30-day public comment period.

4. Provide a written explanation of comments not accepted and the reasons why these comments were not accepted.

None.

Resources

91.220(c)(1)) and (c)(2) (State: 91.320(c)(1) and (2))

5. Identify the federal, state, and local resources (including program income) the jurisdiction expects to receive to address the needs identified in the plan. Federal resources should include Section 8 funds made available to the jurisdiction, Low-Income Housing Tax Credits, and competitive McKinney-Vento Homeless Assistance Act funds expected to be available to address priority needs and specific objectives identified in the strategic plan.

FY 2010 Funds	Program Name
\$29,720,742	Community Development Block Grant Program
18,628,804	HOME Investment Partnerships Program
1,379,030	Emergency Shelter Grant Program
493,906	Housing Opportunities for Persons With AIDS Program

SOURCES OF FUNDS

Federal and Non-federal Resources

Listed below are federal resources (F) and nonfederal resources (N) that the state anticipates will be available to address the priority needs identified in the strategic plan. The list includes programs that support each strategic priority. Those in **bold** type are covered under the Consolidated Plan. Those marked with “*” are funded under the 2009 American Recovery and Reinvestment Act (ARRA).

Rental Housing Assistance

- **HOME Investment Partnerships Program (F)**
- **Community Development Block Grant (F)**
- ***Neighborhood Stabilization Program (F)**
- Low Income Housing Tax Credit (F)
- ***Tax Credit Assistance Program (F)**
- ***Homeless Prevention and Rapid Re-Housing Program**
- Historic Tax Credits (F)
- Risk-Sharing (F)
- Public Housing (F)
- Housing Choice Vouchers (F)
- U.S. Department of Justice Transitional Housing for Domestic Violence Victims (F)
- Project-Based Rental Assistance (F)
- Appalachian Regional Commission (F)
- Rural Housing Services (F)
- Lead-Based Paint Abatement (F)
- Fannie Mae (F)
- Federal Home Loan Bank (N)
- KHC Mortgage Revenue Bonds – Conduit Financing (N)
- KHC Nonprofit Housing Production and Rehabilitation Loan Program (N)
- KHC Affordable Housing Trust Fund (N)
- KHC Small Multifamily Affordable Loan Program (N)
- KHC Housing Development Fund (rental modernization program) (N)
- KHC Housing Assistance Fund (fee income from various areas) (N)

- DOE Weatherization Assistance Program (F)
- *DOE ARRA Weatherization Assistance Program (F)
- *U.S. Treasury Tax Credit Exchange Program (F)

Homeownership Assistance

- **HOME Investment Partnerships Program (F)**
- **Community Development Block Grant Program (F)**
- ***Neighborhood Stabilization Program (F)**
- Appalachian Regional Commission (F)
- Department of Energy Programs (F)
- Lead-Based Paint Abatement (F)
- Weatherization Program (F)
- Rural Housing Services (F)
- Housing Counseling (F)
- Predatory Lending Education (F)
- Housing Choice Homeownership Vouchers (F)
- Veterans Administration (F)
- FHA Mortgage Insurance (F)
- Federal Home Loan Bank (N)
- Nonprofit Housing Providers (N)
- KHC Mortgage Revenue Bonds (N)
- KHC Flexible Rate Funds (N)
- KHC Recoveries of Principal (N)
- KHC Nonprofit Housing Production and Support (N)
- KHC Homeownership Trust Fund (N)
- KHC Housing Development Fund (N)
- KHC Community Repair Affair (N)
- KHC Affordable Housing Trust Fund (N)
- KHC Pre-Purchase and Post-Purchase Housing Counseling (N)
- Housing Choice Voucher Program (F)
- KHC Housing Assistance Fund (fee income from various sources) (N)
- Neighborworks Foreclosure Assistance Funds (F)
- DOE Weatherization Assistance Program (F)
- *DOE ARRA Weatherization Assistance Program (F)
- *Home Performance with Energy Star (F)

Homelessness Assistance

- **Emergency Shelter Grants (F)**
- Federal Emergency Management Agency (F)
- HOME Investment Partnerships Program (F)
- Low Income Housing Tax Credits (F)
- Section 8 for SROs (F)

- Shelter Plus Care (F)
- Supportive Housing (F)
- **Community Development Block Grants (F)**
- ***Neighborhood Stabilization Program (F)**
- ***Homeless Prevention and Rapid Re-Housing Program (F)**
- KHC Affordable Housing Trust Fund (N)
- KHC Housing Assistance Fund - Homeless Matching (N)
- Kentucky Domestic Violence Service Funds (N)
- Kentucky Department of Corrections (N)

Special Needs Assistance

- **Housing Opportunities for Persons With AIDS (F)**
- **HOME Investment Partnerships Program (F)**
- Section 202 Elderly (F)
- Section 811 Handicapped (F)
- **Shelter Plus Care (F)**
- **Supportive Housing (F)**
- ***Neighborhood Stabilization Program (F)**
- Department for Mental Health/Mental Retardation Funding (N)
- KHC Small Multifamily Affordable Loan Program (N)
- HOME Investment Partnerships Program (TBRA) (F)
- KHC Affordable Housing Trust Fund (N)
- KHC Housing Assistance Fund – Group Home Loan Program (N)

Community and Economic Development Assistance

- **Community Development Block Grant Program (F)**
- Appalachian Regional Commission (F)
- Department of Justice – Bureau of Prisons (F)
- Economic Development Administration (F)
- Rural Development (F)
- Rural Housing and Economic Development (F)
- Small Business Administration (F)
- U.S. Army Corps of Engineers (F)
- Bluegrass State Skills Corporation (N)
- Kentucky Economic Development Cabinet (N)
- Kentucky Justice Cabinet – Department of Corrections (N)
- Kentucky Association of Counties (KACo) Loans (N)
- Kentucky Economic Development Finance Authority (KEDFA) (N)
- Kentucky Infrastructure Authority (N)
- Kentucky League of Cities (N)
- Kentucky Transportation Cabinet (N)
- Commonwealth Small Business Development Centers (N)

- ***Neighborhood Stabilization Program (F)**
- ***CDBG-R Program (F)**
- **Kentucky Rural Economic Development Authority (N)**

6. *Explain how federal funds will leverage resources from private and non-federal public sources.*

Federal funds will continue to be leveraged with nonfederal resources to achieve the objectives of this plan. Matching requirements will be achieved through a variety of methods. Kentucky is fortunate in that a majority of our recipients – nonprofits, private developers and units of local government – have contributed a large amount of matching funds with their projects. In fact, in the past, HOME recipients have provided enough matching funds annually to allow the state to carry match forward to future years. In addition, KHC will continue to provide matching funds, if needed.

There are several block grant programs that are allocated by the state through a competitive system. This system provides an incentive for applicants to include leverage and matching funds in the project that count toward federal match requirements. Some programs award points to applicants that propose more than the required leverage and matching funds. This encourages applicants to blend funds with other programs to provide for affordable housing opportunities. Other programs require a set amount of proposed match and/or leverage to be eligible for funding.

For example, KHC requires all HOME Program applicants match their total HOME request with at least 10 percent of HOME-eligible matching sources. Applicants are also encouraged to contribute additional funds to their project, including, but not limited to, bank loans and other state and federal grants/loans.

KHC and DLG encourage applicants to utilize several sources of funds from the private sector, state programs and local programs to assist in meeting HUD matching requirements to increase the amount of funds available to provide affordable housing.

Each ESG recipient must match the funding provided by ESG with an equal amount of funds from other sources. These funds must be provided after the date of the grant award. In calculating matching funds, recipients may include the value of any donated material or building, the value of the lease of a building, staff salaries paid by the grantee and volunteer time (calculated at \$5/hour). The recipient may not include funds used to match any previous ESG grant.

HOPWA recipients are not required to meet a minimum match requirement, but recipients must coordinate their funding with the administration of federal and state AIDS service funding. Leverage is also one of the five factors used in evaluating and ranking HOPWA proposals.

In general, CDBG applicants receive higher priority for funding if they provide matching funds.

The financial institutions throughout the Commonwealth are playing an active role in providing products, services and credit opportunities. These activities take a variety of forms, ranging from reduced rate mortgages for first-time home buyers to equity investment in affordable housing development initiatives. Some banks require that first-time home buyers complete a homeownership counseling program. Others require a minimum down payment and are willing to waive closing costs for low-income home buyers.

The Federal Home Loan Bank of Cincinnati also works with numerous nonprofit agencies throughout the Commonwealth to provide affordable housing through its Affordable Housing Program (AHP). A subsidy program designed to finance housing for low- and moderate-income families, AHP uses funds in a variety of ways to fund new construction, purchase and/or rehabilitation of owner-occupied and rental housing for very low-, low- and moderate-income households. In addition, the Federal Home Loan Bank offers the Community Investment Program (CIP) to address the economic needs of low- to moderate-income neighborhoods. In order for the Federal Home Loan Bank to work in a specific geographic area, a local member bank must be located there.

Annual Objectives

91.220(c)(3) (State: 91.320 (c) (3))

**If not using the CPMP Tool: Complete and submit Table 3A.*

**If using the CPMP Tool: Complete and submit the Summary of Specific Annual Objectives Worksheets or Summaries.xls*

Goals and objectives to be carried out during the action plan period are indicated by placing a check in the following boxes.

<input checked="" type="checkbox"/>	Objective Category Decent Housing Which includes:	<input checked="" type="checkbox"/>	Objective Category: Expanded Economic Opportunities Which includes:	<input checked="" type="checkbox"/>	Objective Category: Expanded Economic Opportunities Which includes:
<input checked="" type="checkbox"/>	assisting homeless persons obtain affordable housing	<input checked="" type="checkbox"/>	improving the safety and livability of neighborhoods	<input checked="" type="checkbox"/>	job creation and retention
<input type="checkbox"/>	assisting persons at risk of becoming homeless	<input checked="" type="checkbox"/>	eliminating blighting influences and the deterioration of property and facilities	<input checked="" type="checkbox"/>	establishment, stabilization and expansion of small business (including micro-businesses)
<input checked="" type="checkbox"/>	retaining the affordable housing stock	<input checked="" type="checkbox"/>	increasing the access to quality public and private facilities	<input checked="" type="checkbox"/>	the provision of public services concerned with employment
<input checked="" type="checkbox"/>	increasing the availability of affordable permanent housing in standard condition to low-income and moderate-income families, particularly to members of disadvantaged minorities without discrimination on the basis of race, color, religion, sex, national origin,	<input checked="" type="checkbox"/>	reducing the isolation of income groups within areas through spatial deconcentration of housing opportunities for lower income persons and the revitalization of deteriorating neighborhoods	<input checked="" type="checkbox"/>	the provision of jobs to low-income persons living in areas affected by those programs and activities under programs covered by the plan

	familial status, or disability			
<input checked="" type="checkbox"/>	increasing the supply of supportive housing which includes structural features and services to enable persons with special needs (including persons with HIV/ADOS) to live in dignity and independence	<input checked="" type="checkbox"/>	restoring and preserving properties of special historic, architectural, or aesthetic value	<input checked="" type="checkbox"/>
<input checked="" type="checkbox"/>	providing affordable housing that is accessible to job opportunities	<input checked="" type="checkbox"/>	conserving energy resources and use of renewable energy sources	<input checked="" type="checkbox"/>
				availability of mortgage financing for low income persons at reasonable rates using non-discriminatory lending practices
				access to capital and credit for development activities that promote the long-term economic social viability of the community

7. *Provide a summary of specific objectives that will be addressed during the program year.*

Kentucky’s block grant funds will be distributed throughout the state on a competitive basis for eligible activities through several methods described in the program guidelines for each program. Units of local government, nonprofit and for-profit entities will be able to apply for funding to carry out eligible activities. This distribution system allows eligible agencies to apply for funding for activities that will address the priority needs for their community. In addition, funds awarded to local communities will also address the priority needs addressed in the state’s Consolidated Plan.

Eligible activities and recipient types for each block grant program are specifically addressed in their distribution plan, which is contained in this Action Plan. In addition, a summary of eligible activities for each block grant program is listed in the Sources of Funding section of this Action Plan. In addition, a table containing specific objectives and performance measures for each program is located in the Specific Objectives section of this plan.

The needs outlined in the Consolidated Plan address a variety of needs for affordable housing and community development that were derived from input at local levels across the state. The plan represents a wide array of needs. While one particular community may need rental housing production at a specific site, another community may need homeowner rehabilitation over a scattered site. For the state to address its community needs, the block grant programs need a level of flexibility for eligible activities to be undertaken. The state will support any application for funding under both federal and private sources that will assist the state in meeting any category of need for affordable housing and community development.

During the time period covered by this Action Plan, KHC intends to continue to focus resources toward the housing needs of persons who are homeless and at risk of homelessness. KHC also intends to continue efforts to help individuals and families become self-sufficient and to increase the number of families who become homeowners. Through the Homeownership Protection Center established by state legislation, KHC is also focusing efforts on foreclosure

prevention and mitigation. Weatherization funds and other funds from the Department of Energy will be used to make homes more energy efficient.

Multifamily rental property developments that have been unable to proceed with construction and rehabilitation will be completed due to additional funding under the American Recovery and Reinvestment Act. Construction and rehabilitation of owner-occupied housing will be funded as well as funds for homeownership and rental assistance.

The overall housing goal of the Consolidated Plan is to provide decent, safe and affordable housing by maintaining and increasing affordable housing opportunities for lower-income Kentuckians. The overall goal for community development is to provide a suitable living environment and expanded economic opportunities for low-income people.

The Non-Housing Community Development Plan identifies Kentucky's priority non-housing community development needs across the state. Both long-term and short-term objectives were developed to assist the state in meeting these needs. The primary source of federal funding allocated for these activities is the CDBG Program.

The HUD CDBG Program provides assistance to communities for use in revitalizing neighborhoods, expanding affordable housing and economic opportunities, providing infrastructure, improving community facilities, and providing operational costs for Recovery Kentucky substance abuse centers. With the participation of their citizens, communities can devote these funds to a wide range of activities that best serve their own particular development priorities.

The overall goal of the Non-Housing Community Development Plan is to provide a suitable living environment and expand economic opportunities for low-income Kentuckians. The following is a list of long-term community development objectives to be accomplished through the CDBG Program.

- Encouraging private investment that will result in the creation of new jobs for the unemployed and underemployed.
- Discouraging the out-migration of businesses that employ and serve the local population.
- Improving existing public facilities.
- Providing new facilities when warranted by recent population growth or when essential needs exist.
- Fostering a revitalization of community structure to help communities help themselves.
- Improving the quality of life through the funding of community projects requested by individual communities to enhance community pride and involvement and perpetuate local identity.

- Enabling local communities to plan for future community development needs.
- Providing operational costs for Recovery Kentucky substance abuse centers.

Kentucky’s short-term objectives encompass the same program areas and reflect the goals of the long-term objectives. The distribution of how CDBG funds will be used throughout the state is revised annually. These benchmarks are an estimated percentage of CDBG funds that will be committed to the corresponding activity based on the priority needs table in the Consolidated Plan.

Program Area	FY 2010
Economic Development*	25-35%
Public Facilities	25-35%
Housing	10-25%
Community Projects**	10-20%
Community Emergency Relief Fund	2-5%
Public Services	5-15%

*Includes Microenterprise Development

**Includes Renaissance on Main

HUD Section 108 Loan Guarantee Program

The Section 108 Loan Guarantee Program will allow Kentucky to leverage up to five times its annual CDBG allocation for large-scale economic development and community projects. In light of current market conditions and to encourage development in Kentucky, the Commonwealth is now considering applications from non-entitlement communities that the Commonwealth may submit to HUD on behalf of these communities for the Section 108 Loan Guarantee program. Funds borrowed using Section 108 requires a pledge of the Commonwealth’s current and future CDBG allocations. The Section 108 program provides an additional source of funds to address significant economic development and community projects which have a regional or statewide impact.

Description of Activities

91.220(d) and (e) (State: 91.320 (d) and (e))

**If not using the CPMP Tool: Complete and submit Table 3C*

**If using the CPMP Tool: Complete and submit the Projects Worksheets and the Summaries Table.*

8. *Provide a summary of the eligible programs or activities that will take place during the program year to address the priority needs and specific objectives identified in the strategic plan.*

Describe the outcome measures for activities in accordance with Federal Register Notice dated March 7, 2006, i.e., general objective category (decent housing, suitable living environment, economic opportunity) and general outcome category (availability/accessibility, affordability, sustainability).

The four block grant programs covered by this plan will fund applications for the following eligible activities:

HOME Investment Partnerships Program (HOME):

- Acquisition of existing rental units
- Production of new rental units
- Rehabilitation of existing rental units
- Rental assistance
- Acquisition of existing owner units
- Production of new owner units
- Rehabilitation of existing owner units
- Homeownership assistance

Community Development Block Grant Program (CDBG):

- Acquisition of existing rental units
- Production of new rental units
- Acquisition of existing owner units
- Production of new owner units
- Rehabilitation of existing owner units
- Homeownership assistance
- Economic Development
- Microenterprise Development
- Construction of Public Facilities and Improvements

Housing Opportunities for Persons With AIDS Program (HOPWA):

- Housing Information Services
- Resource Identification
- Acquisition, Rehab, Conversion, Lease and Repair (housing facility only)
- New Construction (SRO)
- Supportive Services
- Operating Costs (housing facility only)
- Project- or Tenant-Based Rental Assistance
- Short-Term Rent, Mortgage, & Utility Assistance
- Administrative Expenses

Emergency Shelter Grant Program (ESG):

- Emergency shelter housing including homeless prevention

The following table details the specific objectives of each program, performance measures and the goals set for each objective.

Specific Obj. #	Outcome/Objective	Sources of Funds	Performance Indicators	Program Year	Expected Number	Actual Number	Percent Completed
	Specific Annual Objectives						
DH-1	Availability/Accessibility of Decent Housing						
DH-1.1	Address the need for available/accessible decent housing by offering direct homebuyer assistance (down payment, closing costs) to qualified families	HOME	<ul style="list-style-type: none"> Number of households receiving homebuyer assistance 	2010	684		
				2011	710		
				2012	710		
				2013	710		
				2014	710		
MULTI-YEAR GOAL				3,524			
DH-2	Affordability of Decent Housing						
DH-2.1	Address the need for affordable decent housing by offering tenant-based rental assistance	HOME	<ul style="list-style-type: none"> Households assisted 	2010	240		
				2011	240		
				2012	240		
				2013	240		
				2014	240		
MULTI-YEAR GOAL				1,200			
DH-2.2	Address the need for affordable decent housing and supportive services for families with persons who have HIV/AIDS by providing short-term rental/mortgage and utility assistance, longer term rental assistance and supportive services.	HOPWA	<ul style="list-style-type: none"> Households assisted 	2010	575		
				2011	575		
				2012	575		
				2013	575		
				2014	575		
MULTI-YEAR GOAL				2,875			
DH-2.3	Address the need for affordable decent housing by rehabilitating existing single family housing stock and creating new single family housing stock	CDBG	<ul style="list-style-type: none"> Number of units 	2010	40		
				2011	40		
				2012	40		
				2013	40		
				2014	40		
MULTI-YEAR GOAL				200			

DH-2.4	Address the need for affordable decent housing by offering assistance for the acquisition, rehabilitation and new construction of rental housing to serve low and very low income households	HOME	• Number of units	2011	250		
				2012	250		
				2013	250		
				2014	250		
				2015	250		
			MULTI-YEAR GOAL	1,250			
DH-2.5	Address the need for affordable decent housing by offering assistance for the acquisition and new construction of rental housing to serve LMI families	CDBG	• Number of units	2010	5		
				2011	5		
				2012	5		
				2013	5		
				2014	5		
			MULTI-YEAR GOAL	25			
DH-2.6	Address the need for affordable decent housing by offering homeowner housing development	HOME	• Number of units	2010	60		
				2011	60		
				2012	70		
				2013	70		
				2014	70		
			MULTI-YEAR GOAL	330			
DH-3	Sustainability of Decent Housing						
DH-3.1	Address the need for sustainable decent housing by offering owner-occupied housing rehabilitation assistance to qualified households.	HOME	• Number of households receiving rehabilitation assistance	2010	70		
				2011	70		
				2012	70		
				2013	70		
				2014	70		
			MULTI-YEAR GOAL	350			
SL-3	Sustainability of Suitable Living Environment						
SL-3.1	Address the need for sustaining a suitable living environment by supporting facilities that provide services, homeless prevention and emergency shelter housing.	ESG	• Number of persons	2010	9,600		
				2011	9,600		
				2012	9,600		
				2013	9,600		
				2014	9,600		
			MULTI-YEAR GOAL	48,000			

EO-1	Availability/Accessibility of Economic Opportunity						
EO-1.1	Provide economic opportunity through Economic Development, Microenterprise Development and Community Projects that will benefit LMI persons	CDBG	<ul style="list-style-type: none"> • Number of loans/grants <ul style="list-style-type: none"> • New businesses assisted • Existing business assisted • Jobs created/retained 	2010	7		
				2011	7		
				2012	7		
				2013	7		
		2014	7				
		MULTI-YEAR GOAL			35		
CR-1	Community Revitalization						
CR-1.1	Enhance the availability/accessibility of neighborhoods through the new construction of public facilities to benefit qualifying communities with higher levels of LMI persons	CDBG	<ul style="list-style-type: none"> • Number of facilities 	2010	18		
				2011	18		
				2012	18		
				2013	18		
		2014	18				
		MULTI-YEAR GOAL			90		

Geographic Distribution/Allocation Priorities

91.220(d) and (f) (State: 91.320 (f) and (g))

9. *Describe the geographic areas of the jurisdiction (including areas of low income families and/or racial/minority concentration) in which assistance will be directed during the next year. Where appropriate, the jurisdiction should estimate the percentage of funds the jurisdiction plans to dedicate to target areas.*

The geographic distribution for each block grant program will be different due to differences in each program and the federal regulations that govern them. Within each program's distribution plan is a specific description of how funds will be distributed throughout the state. The following is a summary of each block grant's geographic distribution system:

- **CDBG:** All cities and counties in Kentucky are eligible for participation in the CDBG Program with the exception of the cities of Ashland, Bowling Green, Covington, Elizabethtown, Henderson, Hopkinsville, Owensboro, the City of Lexington/Fayette County and City of Louisville/Jefferson County Metro Government which receive a direct allocation of CDBG funds from the federal government.
- **HOME:** Based upon demand for available funds, KHC will make every effort to ensure that the HOME funds are disbursed geographically. Reservations of HOME funds will be monitored throughout the year. If deemed appropriate, KHC may discontinue allowing applications from certain areas of the state if the area has already received greater funding as compared to other areas of the state. Such a hold on applications would only continue until KHC could ascertain the demand for funds in all areas of the state.
- **ESG:** All of Kentucky's allocation must be made available to Kentucky cities and counties or private nonprofit organizations where the unit of local government certifies that it approves each project on a statewide competitive basis. Applications for funding from jurisdictions of the state without a direct allocation of ESG funding from HUD (all communities except the entitlement jurisdictions of Lexington/Fayette County, Louisville/Jefferson County) will receive first priority in the allocation process.
- **HOPWA:** Eligible applicants are nonprofit agencies and local governments. Funding will be made available as renewal of last fiscal year's funding distributed to five areas of the Commonwealth established for funding distribution by the Cabinet for Health and Family Services. The formula is based on the number of reported persons living with AIDS in each of the regions according to the Kentucky Department for Public Health, Division of Epidemiology and Health Planning.

Eligible applicants for HOPWA funding will submit plans for the use of HOPWA funding to KHC. The plans outline the activities to be undertaken and the process for the use of funding.

10. Describe the reasons for the allocation priorities, the rationale for allocating investments geographically within the jurisdiction (or within the EMSA for HOPWA) during the next year, and identify any obstacles to addressing underserved needs.

With the exception of HOPWA funding, which is allocated based upon reported HIV/AIDS cases, block grant funds are allocated through competitive funding applications submitted for eligible activities.

Both KHC and the DLG have been active in the pursuit of affordable housing for all Kentuckians and will continue to work towards overcoming all obstacles to affordable housing in the coming years. Some of the obstacles to meeting underserved housing needs in Kentucky generally affect all low-income populations in Kentucky while special needs populations must overcome additional obstacles to obtain and maintain affordable housing.

It is clear that there continues to be an insufficient supply of all types of affordable housing – from that targeted to working families to service-enriched housing for special needs populations likely to experience chronic homelessness. In most of the state, there exists a shortage of all housing stock, but in the larger metropolitan areas, the shortage is very specific to affordable housing. The demand for subsidized housing far outweighs the funds available. As a result, some Section 8 waiting lists closed because of the length of time before assistance could be offered. Additionally, these gaps and barriers were identified related to affordable housing:

- Lack of fair housing policies.
- Limited or lack of affordable housing policies in local governments.
- Need for additional access to transitional housing options.

In general, public housing agencies (both those that administer public housing units and housing vouchers) experience long waiting lists for assistance. The average waiting list time for public housing in Kentucky is nearly six months.

Rent restrictions are a barrier that has resulted due to requirements under the HOME Program. HOME funds are used extensively to assist with the development of affordable rental housing, often in combination with other sources of funds and housing tax credits. As required by the HOME Program, the rent limitation is often the fair market rent (FMR) for the county in which the project is located. In fact, in most counties in Kentucky, the FMR is the most restrictive rent limitation and must be the imposed rent cap on each of the HOME units in a project. As a result, these low rents often make the project financially infeasible. Relief is needed in the form of higher rent limits for the HOME

Program so that financially feasible, safe, decent and affordable housing may be produced throughout the state.

Homeless and Other Special Needs Populations

Housing alone will not solve the problem of homelessness. Without adequate support services to prevent and end homelessness, many of those who have experienced homelessness find themselves unable to remain in stable housing. The number one gap identified is the lack of funding for these supportive services. HUD and other government agencies stress that mainstream resources should be prioritized to meet the need for these supportive services. However, the inability to access mainstream services is cited by many as a clear barrier by those seeking to serve homeless populations. Consequently, inadequate funding has led to providers having limited staffs with a lack of cross training on the types of support services offered by other service providers. For certain special needs populations, the lack of funding for 24-hour per day support services is a critical gap. Additionally, these gaps and barriers were identified related to services:

- Current definition of “homelessness” is too restrictive to address reality of need for Kentucky families to achieve.
- Lack of transportation – both within counties and especially cross-county.
- Lack of employment options.
- Difficulty in supporting access to mainstream services benefits.
- Access to helping resources overly restricted.
- Conflict in rules and regulations for different programs that serve the same purpose.
- Limited access to supportive housing services – especially on-site services.
- Lack of access to medical assistance for single individuals.
- Difficulty integrating programs for homeless children and/or youth.
- Limited knowledge of all available services and resources.
- Lack of knowledge of state and federal homeless rights legislation.
- Lack of substance abuse treatment – particularly treatment that is affordable and available in a timely fashion.
- Lack of mental health services that are available in a timely fashion, easily accessible, and well funded.

A lack of coordination among programs that provide services to the homeless and those at-risk of becoming homeless hinders the ability to use resources in the most effective, efficient way possible. One of the most commonly cited gaps was inadequate discharge planning. This contributes to homelessness among persons aging out of foster care, persons exiting correctional institutions and persons with serious mental illnesses and/or substance abuse disorders leaving state facilities. However, while adequate discharge planning is a critical component of homeless prevention, there are a number of other issues that,

when properly addressed, can prevent those who are at-risk from becoming homeless. These include:

Prevention Funds. In many cases, individuals and families who are at-risk become homeless because they cannot pay rent or utilities. For example, they lose their job because they cannot get the car repaired to get to work, then they cannot pay the rent and it spirals from there. Unfortunately, there are limited emergency funds to pay those bills and prevent homelessness. There are also insufficient funds available to pay for preventive care to avoid hospitalization or institutional care. The funds that exist for payment of rent and utility deposits are very limited.

Coordination. Blending varied funding streams for programs to serve the homeless presents many challenges, particularly with the inflexibility of many of these funding sources. The limited coordination of existing resources provides further challenges for providers.

Rules. From application requirements that are perceived as too stringent to processing delays, many current administrative procedures and rules are often viewed as barriers.

Financial Literacy. Without “blaming the victim,” many who are at-risk become homeless in part because of limited financial management skills. A lack of understanding of credit, which can lead to overspending, combined with predatory lending practices that target those with low income, can create a situation that can lead to homelessness. Financial literacy is an integral part of support services for families who are homeless or at imminent risk of homelessness. For individuals who are required by the Social Security Administration to have a payee, there are limited resources for this service when there is no available/appropriate family or friend to fulfill this responsibility. On a more temporary basis, there is a need for direct management of finances for individuals or families while they learn the skills to do so for themselves.

Additionally, these gaps and barriers were identified related to prevention:

- Lack of funds focused on homeless prevention.
- Need for additional utilities assistance.
- Limited knowledge of all available services and resources.

There are a variety of barriers that influence rural HIV/AIDS housing and service provision. In Kentucky many representatives of nonprofit and healthcare organizations feel confident as service providers but are intimidated and overwhelmed by the prospect of developing and maintaining housing programs. Additionally, the majority of persons living with HIV/AIDS do not want to live in housing that has a stigma associated with it. They want to live in permanent, independent housing.

Financing can be very difficult to secure even in rural areas where development is feasible. For example, rural projects are challenged to compete with urban projects, which typically can show a greater numeric need and can leverage a wider variety of financing options. Rural communities, like urban areas, experience the consequences of NIMBYism. Lack of zoning enforcement and underutilization of protections offered under Fair Housing laws often make this opposition more formidable in rural areas. Persons living with HIV/AIDS are often on fixed incomes and cannot afford all the costs associated with homeownership without a deep subsidy. Lastly, a successful housing initiative must include a plan for the provision of supportive services. However, in rural areas, services, especially medical care specific to the needs of persons living with HIV/AIDS, are nominal or nonexistent.

KHC provides technical assistance and training to HIV/AIDS housing and service providers to increase capacity. Also, HOPWA grantees are encouraged to participate in the CoC system where they may be more successful in partnering services and housing with other providers who may serve the same or similar populations.

While there are differences among the special needs categories in regard to their housing and service needs, there are problems that stand in the way of acquiring decent, safe and affordable housing that are common to all.

- **Low Income** – All of the different types of disabling conditions result, to varying degrees, in difficulty in maintaining full time employment. If supported employment services are present, part time employment can be a realistic possibility for many. Those whose disability struck at a young age, must live on SSI payments of \$674 per month (2009) supplemented with part time employment. This amount of income typically puts the individual at or below 30 percent of median in most counties in the state.
- **Discrimination** – While there are differences in the intensity of opposition to housing for the different special needs populations, NIMBY (Not In My Back Yard) is a constant among them. Developers of special needs housing must take into account and address community opposition, in addition to the difficult issues of inadequate funding and scarcity of services.
- **Social skills** – Many of the disability categories have a negative effect on an individual's social skills. Even those disabilities such as mental illness, which can be controlled by medication, can interfere with an individual's education and socialization. This puts the person at a disadvantage in the competition for scarce affordable housing resources.
- **Lack of Funding** – There is insufficient funding at all governmental levels to create more safe, decent and affordable housing. This is not a special needs

issue, but affects all low-income families. The problem is compounded for special needs housing developers due to the need to link the housing to supportive services. Along with a lack of funding for housing, there is also a lack of funding for the supportive services necessary for persons with a disability to live productively and independently.

Elderly, frail elderly and persons with disabilities

Most disabling conditions result in some degree of physical impairment, ranging from slightly limited mobility to the need for the use of a wheelchair. Even a small degree of mobility impairment, however, can make a standard home or apartment an inhospitable environment.

KHC has identified a need for more accessible units to accommodate both people with existing disabling conditions and those who may experience disabilities in the future brought about by disease, accident, or the natural processes of aging. To this end, KHC stresses the need for adherence to fair housing construction requirements in new construction projects and has implemented an expanded requirement for universal design in new construction projects. KHC further recognizes the need for resources for modifications to existing housing units.

Several years ago, HUD began allowing public housing authorities and owners of privately-owned apartment projects built with HUD financing to designate portions of the developments as elderly-only. Nationwide this has resulted in the loss of thousands of units of housing for persons with special needs.

In order to designate elderly-only housing, public housing authorities are required to file a plan with HUD that describes the actions to be taken. This plan is supposed to be prepared with the input of community groups and advocacy agencies. HUD has set aside Section 8 vouchers for the benefit of residents displaced by elderly-only designations.

So far, this has not been a large problem in Kentucky, but advocates of those with special needs should remain vigilant and become familiar with their local public housing authority in order to become aware of and mitigate the effects of such actions.

Persons with severe mental illness

Persons with severe mental illness (SMI) suffer from one or more of a group of disorders that cause mental disorganization and disturbances in thought processes, resulting in difficulties in relating to others. Their disability is often invisible, which can cause misconceptions and misunderstandings about persons with SMI. Typical types of severe mental illness are schizophrenia, major depression and bi-polar (manic/depressive) disorder. All types of mental illness

can be effectively treated with psychotropic drugs, although the effectiveness of drug treatment varies among individuals and types of illness. The extent to which an individual with SMI can function in society depends on his or her specific illness, the effectiveness of the medications for its treatment and the motivation of the individual in adhering to a treatment regimen.

Persons with drug/alcohol addiction

Persons who continue to relapse from the disease of alcohol and drug dependency or who have a dual diagnosis of substance dependency and mental illness are often involved with the judicial/correctional system as a result of their unacceptable behavior or their criminal activity related to seeking drugs.

Persons with HIV/AIDS

There are a variety of barriers that influence rural HIV/AIDS housing and service provision. In Kentucky many representatives of nonprofit and healthcare organizations feel confident as service providers but are intimidated and overwhelmed by the prospect of developing and maintaining housing programs. Additionally, the majority of persons living with HIV/AIDS do not want to live in housing that has a stigma associated with it. They want to live in permanent, independent housing.

Financing can be very difficult to secure even in rural areas where development is feasible. For example, rural projects are challenged to compete with urban projects, which typically can show a greater numeric need and can leverage a wider variety of financing options. Rural communities, like urban areas, experience the consequences of NIMBYism. Lack of zoning enforcement and underutilization of protections offered under Fair Housing laws often make this opposition more formidable in rural areas. Persons living with HIV/AIDS are often on fixed incomes and cannot afford all the costs associated with homeownership without a deep subsidy. Lastly, a successful housing initiative must include a plan for the provision of supportive services. However, in rural areas, services, especially medical care specific to the needs of persons living with HIV/AIDS, are nominal or nonexistent.

Stigma continues to be the highest and most feared and perceived barrier that persons with HIV/AIDS must overcome. Many are afraid to receive services for fear someone will find out about their HIV status. This fear is particularly higher in our African-American and Hispanic clients.

Rural areas present another barrier. Some of the most rural counties do not have housing units available that meet affordable and decent safe living needs. Clients living far away also have very limited transportation available to connect to services and entitlements such as SSI, SSDI, Medicaid and food stamps.

The inability of HOPWA to cover the first month's rent and deposit as well as utility deposits continues to be a barrier. The Fair Market Rents, particularly on the one bedroom units, are far below the average rent costs in most service areas.

Annual Affordable Housing Goals

91.220(g) (State: 91.320 (g))

***If not using the CPMP Tool:** Complete and submit Table 3B Annual Housing Completion Goals.

***If using the CPMP Tool:** Complete and submit the Table 3B Annual Housing Completion Goals.

11. Describe the one-year goals for the number of homeless, non-homeless, and special-needs households to be provided affordable housing using funds made available to the jurisdiction and one-year goals for the number of households to be provided affordable housing through activities that provide rental assistance, production of new units, rehabilitation of existing units, or acquisition of existing units using funds made available to the jurisdiction. The term affordable housing shall be defined in 24 CFR 92.252 for rental housing and 24 CFR 92.254 for homeownership.

Because the state does not identify specific projects prior to the adoption of the Annual Action Plan, the goals set forth below are a best estimate of projects that will be completed during the ensuing program year.

Grantee Name: Commonwealth of Kentucky Program Year: 2010	Expected Annual Number of Units To Be Completed	Actual Annual Number of Units Completed	Resources used during the period			
			CDBG	HOME	ESG	HOPWA
ANNUAL AFFORDABLE RENTAL HOUSING GOALS (SEC. 215)						
Acquisition of existing units	5		<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>		<input type="checkbox"/>
Production of new units	125		<input type="checkbox"/>	<input checked="" type="checkbox"/>		<input type="checkbox"/>
Rehabilitation of existing units	125		<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Rental Assistance	900		<input type="checkbox"/>	<input checked="" type="checkbox"/>		<input checked="" type="checkbox"/>
Total Sec. 215 Affordable Rental	1,155		<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
ANNUAL AFFORDABLE OWNER HOUSING GOALS (SEC. 215)						
Acquisition of existing units			<input type="checkbox"/>	<input type="checkbox"/>		
Production of new units	60		<input type="checkbox"/>	<input checked="" type="checkbox"/>		
Rehabilitation of existing units	130		<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>		

Homebuyer Assistance	600		<input type="checkbox"/>	<input checked="" type="checkbox"/>		<input type="checkbox"/>
Total Sec. 215 Affordable Owner	790		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
ANNUAL AFFORDABLE HOUSING GOALS (SEC. 215)						
Acquisition of existing units	5		<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>		<input type="checkbox"/>
Production of new units	185		<input type="checkbox"/>	<input checked="" type="checkbox"/>		<input type="checkbox"/>
Rehabilitation of existing units	255		<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Homebuyer Assistance	600		<input type="checkbox"/>	<input checked="" type="checkbox"/>		<input checked="" type="checkbox"/>
Total Sec. 215 Affordable Housing	1,045		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
ANNUAL AFFORDABLE HOUSING GOALS (SEC.215)						
Homeless households	9,600		<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
...Non-homeless households			<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
...Special needs households			<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
ANNUAL HOUSING GOALS						
Annual Rental Housing Goal	1,155		<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Annual Owner Housing Goal	790		<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Total Annual Housing Goal	1,945		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Public Housing

91.220(h) (State: 91.320(h))

12. Describe the manner in which the plan of the jurisdiction will help address the needs of public housing and activities it will undertake during the next year to encourage public housing residents to become more involved in management and participate in homeownership.

Although public housing is primarily administered at the local and not the state level, there have been many efforts undertaken to encourage and assist the population served through public housing to obtain economic self-sufficiency.

- The Family Self-Sufficiency (FSS) Program, administered by KHC, provides supportive services to participants who possess a housing choice voucher when they sign a five-year contract of participation. The ultimate goal of this program is to help participants become self-sufficient by obtaining employment and becoming free of government assistance, including public housing. FSS participants receive employment skills training, budget and credit counseling, money management tips and homeownership education.

KHC also establishes a savings account with monthly deposits based on the participant's increased earnings. FSS graduates are encouraged to use the escrow funds as a down payment on a home, but this is not mandatory. Currently, 191 families are participating in FSS and 117 of these participants have funds in escrow.

- The *Yes You Can...Own A Home* Program, sponsored by KHC and local lenders, also targets people currently living in rental or public housing who would like to own their own home. Classes are offered to participants to teach the basics of becoming a homeowner. Classes discuss the mortgage loan process, finding the right house, budget and credit, loan closing, foreclosure prevention, basic home maintenance and more. This program will continue into the next fiscal year and will attempt to further reduce the number of Kentuckians dependent upon public housing assistance to survive.

The KHC Rental Assistance Department administers the Housing Choice Voucher Program in areas of the state that are not served by a local public housing authority (PHA). As of early 2010, KHC was again at maximum capacity under its voucher program and has closed the waiting list. KHC aggressively pursues any new voucher funding opportunities.

There are approximately 106 public housing agencies in Kentucky that manage conventional public housing units. PHAs play an important role in filling the gap between the need and supply of affordable rental housing. These agencies provide housing for over 23,000 families statewide.

KHC has established a partnership with local housing authorities that administer Housing Choice Voucher Programs to allow families housed by local housing authorities the knowledge and qualifications to access KHC's single-family loan programs. In addition, KHC has established a homeownership voucher program that allows qualifying families to use their Housing Choice Voucher for homeownership.

13. If the public housing agency is designated as "troubled" by HUD or otherwise is performing poorly, the jurisdiction shall describe the manner in which it will provide financial or other assistance in improving its operations to remove such designation during the next year.

There are troubled PHAs in non-entitlement areas of the Commonwealth. Since the exact details and reasons why a PHA is determined to be troubled are varied, the Commonwealth cannot commit specific funds at this point. The troubled PHAs may be able to obtain assistance from HUD Community Planning and Development-assisted programs and should contact KHC and DLG for additional information including application requirements and eligibility information.

In the event KHC and DLG are notified by HUD that a public housing agency in Kentucky is designated by HUD as “troubled,” KHC and DLG will determine if KHC and DLG can provide financial and/or technical assistance to the public housing agency.

Homeless and Special Needs

91.220(i) (State: 91.320 (h))

14. Describe, briefly, the jurisdiction’s plan for the investment and use of available resources and describe the specific planned action steps it will take over the next year aimed at eliminating chronic homelessness.

Funds available to assist persons who are homeless or in danger of becoming homeless include:

- Emergency Shelter Grants (F)
- Federal Emergency Management Agency (F)
- HOME Investment Partnerships Program (F)
- Low Income Housing Tax Credits (F)
- Section 8 for SROs (F)
- Shelter Plus Care (F)
- Supportive Housing (F)
- Community Development Block Grants (F)
- Neighborhood Stabilization Program (F)
- Homeless Prevention and Rapid Re-Housing Program (F-ARRA)
- KHC Affordable Housing Trust Fund (N)
- KHC Housing Assistance Fund - Homeless Matching Fund (N)
- Kentucky Domestic Violence Service Funds (N)
- Kentucky Department of Corrections (N)

Emergency Shelter Grant and Homeless Prevention and Rapid Re-Housing Program ARRA program funds are allocated competitively for eligible activities.

The state has undertaken a multi-pronged approach to eliminating homelessness. Central to this approach is the creation of a state policy-advisory entity, the Kentucky Interagency Council on Homelessness (KICH).

KICH is composed of representation from state government, nonprofit and advocacy agencies to collaborate and perform the following functions and duties:

- Serve as the single statewide homelessness planning and policy development resource for the Commonwealth of Kentucky.
- Review, recommend changes and update Kentucky’s *Ten-Year Plan to End Homelessness*.

- Monitor and oversee implementation of Kentucky's *Ten-Year Plan to End Homelessness* to ensure that accountability and results are consistent with the plan.
- Serve as a state clearinghouse for information on services and housing options for the homeless.
- Conduct other activities as appropriate.

The six regions have each developed a plan that identify dozens of specific strategic recommendations to address local priorities. The following key themes and objectives are apparent across regional boundaries:

- Increase access to safe and affordable housing units for homeless families, individuals and youth.
- Increase funding for and access to comprehensive supportive services that help assure housing stability and encourage self-sufficiency.
- Increase funding for prevention services to reduce the numbers of persons falling into homelessness.
- Increase scope and quality of data collection through the statewide Homeless Management Information System to document both evolving progress and continuing need.
- Develop and carry out a coordinated statewide public education and outreach campaign that establishes the foundation for building public support.

15. Describe specific action steps to address the needs of persons that are not homeless identified in accordance with 91.315(e).

Recovery Kentucky, an initiative to help Kentuckians recover from drug and alcohol dependency, has nine existing centers throughout the state and the tenth center expected to open in October, 2010. The program accomplishes two goals: it reduces the state's drug problem and resolves some of the state's homeless issues.

The Recovery Kentucky Task Force provides oversight and direction for a network of ten newly established 100-bed Recovery Kentucky Centers - drug and alcohol free housing for persons who are homeless or at risk for homelessness due to their continued dependence on alcohol and drugs. These drug-free, Project-Based assisted housing centers provide a safe and secure environment for men and women to begin a process of "self-help" and "peer-led" education that leads to long term sobriety. The Recovery Kentucky program model is designed to help the recovering alcoholic/addict regain a life of sobriety and to begin a journey toward permanent housing and self-sufficiency.

The Recovery Kentucky Task Force is made up of Kentucky Cabinet Secretaries, Commissioners, the Governor's Office and Recovery Kentucky leaders throughout the state who are interested in providing housing for potentially

homeless and chemically dependent individuals in need of non-medical recovery services. In addition, the Task Force is interested in providing housing and supportive addiction recovery services for non-violent, persons facing jail or prison time related to their drug dependency and related criminal activity. As a result of the success of these substance abuse recovery housing centers, the Recovery Kentucky Task Force has recommended that KHC initiate plans to expand the Recovery Kentucky Centers from ten facilities to fourteen facilities over the next five years.

The Safe Havens program partners with service providers, nonprofit advocacy organizations and state agencies to remove barriers and move more homeless individuals into transitional housing on the path to self-sufficiency.

KHC began the Safe Havens program, which works homeless families and individuals toward self-sufficiency through case management services. KHC provides transitional housing vouchers throughout Kentucky to domestic violence victims and homeless families with the Safe Start Program and homeless individuals with severe and persistent mental illness through Safe Place, which fulfills one area of self-sufficiency. The temporary housing vouchers are available for one year and may be renewed after the first year if no other housing options have been identified. Case management partners provide the other aspects of economic self-sufficiency, with KHC building collaborations to support their efforts.

Local communities provide case management through agreements and partnerships as well as serving as the main source of referrals to the Safe Haven Project. Over 70 case management agencies throughout Kentucky make referrals to Kentucky Housing; these agencies include but are not limited to homeless shelters, domestic violence shelters and community mental health agencies.

KHC requires Safe Havens participants to participate in case management, which will include participation in activities to lead to economic self-sufficiency (i.e. full-time employment, education, attendance in financial literacy classes). If participants do not make progress toward economic self-sufficiency, they could forfeit their housing vouchers.

Case management will help Safe Havens participants identify skills and resources to gain economic self-sufficiency. This approach will be based upon the goals of the participants and will be participant-driven as long as the goals are not counter-productive. In cases where participants are not making progress toward their goals due to effort, they will be terminated from the Safe Havens program.

The Kentucky Transitions program (Money Follows the Person) provides housing and support for special accommodations for persons living in nursing homes or

institutional care settings (for six months or longer) and who want to return to independent living in their home community. This partnership between the Kentucky Department of Medicaid Services and KHC, through a contractual relationship, allows persons living in institutional settings to live in publically assisted or private housing with medical and social supports provided through the Kentucky Department of Medicaid Services. KHC staff assist referred MFP individuals to navigate the housing process through their contacts in the community in order to support these individuals to return to his or her home community.

KHC partners with the state Division of Mental Health to host SOAR (SSI/SSDI, Outreach, Access, and Recovery) trainings throughout the state. SOAR teaches case managers how to complete disability applications more thoroughly. With techniques from these trainings, more disability applications will be approved upon the first submission. Although SSI/SSDI will not lift households above the poverty line, it certainly can help households sustain an income, and with housing assistance, can be as sufficient as the individual has capacity to be.

The Samaritan Project is a Supportive Housing Program that serves unaccompanied adults with documented disabilities. It is designed as part of the CoC strategy to promote the development of housing and supportive services to assist homeless persons in the transition from streets and shelters to permanent housing and maximum self-sufficiency. It is renewable annually through the CoC application.

Because Supportive Housing is a federal grant program authorized by the McKinney-Vento Homeless Assistance Act of 1987, participants must meet the following U.S. Department of Housing and Urban Development definition of chronically homeless: "An unaccompanied homeless individual with a disabling condition who has either been continuously homeless for a year or more or has had at least four (4) episodes of homelessness in the past three (3) years."

The Samaritan Project is a permanent housing program. A housing voucher is issued to the participant following third-party verification of income, chronic homelessness, disability and household composition. Kentucky Housing operates two Samaritan Projects in the balance-of-state. One bedroom apartments are leased for program participants.

Participants of the Samaritan Project must receive services from a referring agency, such as the local comprehensive care agency. Referring agencies will be responsible for ongoing case management, access to psychiatric care, housing support and services. While this program targets a different target group than Safe Havens and FSS, the design lends itself to ameliorating homelessness through sustaining housing and securing income (whether through employment or disability earnings).

16. Homelessness Prevention—Describe planned action steps over the next year to address the individual and families with children at imminent risk of becoming homeless.

Activities planned for the coming year to address housing needs of homeless individuals and families and to prevent low-income individuals and families from becoming homeless include the activities listed below.

- Acquisition, construction, renovation, major rehabilitation or conversion of structures for use as transitional and permanent supportive housing for homeless persons.
- Provision of essential services to people without homes. This includes services concerned with employment, health, drug abuse, education, transportation and staff salaries necessary to provide these services.
- Payment of maintenance, operation, rent, repair, security, fuels and equipment, insurance, utilities and furnishings of transitional and permanent housing.
- Development and implementation of homeless prevention activities including short-term subsidies for utility costs, rent or mortgage payments, security deposits, mediation programs and legal services.
- Provision of rental assistance for homeless individuals and families.

The Kentucky Homeownership Protection Center was established by the state legislature in 2008 to address the foreclosure crisis in Kentucky. While the number of foreclosures in Kentucky has not increased as rapidly as in other states, the issue is still one that affects many Kentuckians and their communities. The Protection Center is a joint effort of the Department of Financial Institutions, Kentucky Housing Corporation, and many other agencies and groups across the state. The Protection Center provides counseling at no cost to a homeowner and is a centralized location for information on public services to assist Kentuckians in keeping their homes. Homeowners can find information on the foreclosure process, utility assistance, and home repair assistance. The Protection Center has also formed a partnership with Legal Aid to help those who qualify and cannot recover from their circumstances through counseling. The Protection Center is a resource for homeowners who may become homeless or precariously housed if they lose their home.

Barriers to Affordable Housing

91.220(j) (State: 91.320(i))

17. Describe the actions that will take place during the next year to remove barriers to affordable housing.

On the state level, there are numerous examples of state agencies working in cooperation to reduce barriers to affordable housing:

- The Kentucky Infrastructure Authority has also enacted a Water and Waste-Water Plan.
- The Recovery Kentucky program is an example of state agencies working together to remove barriers that unintentionally arise because of compartmentalization.
- Safe Havens partners with service providers, nonprofit advocacy organizations and state agencies to remove barriers and move more homeless individuals into transitional housing on the path to self-sufficiency.
- The Kentucky Interagency Council on Homelessness (KICH) has established five subcommittees that are also exploring regulatory barriers specifically affecting the homeless population. KICH identified lack of fair housing policies and limited or lack of affordable housing policies at the local government level as barriers. And specifically, the need for additional access to transitional housing type options is a pressing need.
- The Kentucky Homeownership Protection Center was established by the state legislature in 2008 to address the foreclosure crisis in Kentucky. While the number of foreclosures in Kentucky has not increased as rapidly as in other states, the issue is still one that affects many Kentuckians and their communities. The Protection Center is a joint effort of the Department of Financial Institutions, Kentucky Housing Corporation, and many other agencies and groups across the state. The Protection Center provides counseling at no cost to a homeowner and is a centralized location for information on public services to assist Kentuckians in keeping their homes. Homeowners can find information on the foreclosure process, utility assistance, and home repair assistance. The Protection Center has also formed a partnership with Legal Aid to help those who qualify and cannot recover from their circumstances through counseling. The Protection Center is a resource for homeowners who may become homeless or precariously housed if they lose their home.

Other Actions

91.220(k) (State: 91.320 (j))

18. Describe the actions that will take place during the next year to address obstacles to meeting underserved needs, foster and maintain affordable housing, evaluate and reduce the number of housing units containing lead-based paint hazards, reduce the number of poverty-level families develop institutional structure, enhance coordination between public and private agencies (see 91.215(a), (b), (i), (j), (k), and (l)).

Obstacles to meeting underserved needs

Both KHC and the DLG have been active in the pursuit of affordable housing for all Kentuckians and will continue to work towards overcoming all obstacles to affordable housing in the coming years.

Some of the obstacles to meeting underserved housing needs in Kentucky generally affect all low-income populations in Kentucky while special needs populations must overcome additional obstacles to obtain and maintain affordable housing.

It is clear that there continues to be an insufficient supply of all types of affordable housing – from that targeted to working families to service-enriched housing for special needs populations likely to experience chronic homelessness. In most of the state, there exists a shortage of all housing stock, but in the larger metropolitan areas, the shortage is very specific to affordable housing. The demand for subsidized housing far outweighs the funds available. As a result, some Section 8 waiting lists closed because of the length of time before assistance could be offered. Additionally, these gaps and barriers were identified related to affordable housing:

- Lack of fair housing policies.
- Limited or lack of affordable housing policies in local governments.
- Need for additional access to transitional housing options.

In general, public housing agencies (both those that administer public housing units and housing vouchers) experience long waiting lists for assistance. The average waiting list time for public housing in Kentucky is nearly six months.

KHC will continue to pursue all available sources of funding for affordable housing activities, including the pursuit of additional housing choice vouchers as they become available, moving persons toward self-sufficiency to allow existing vouchers to be used for another needy family and additional funds for the construction and rehabilitation of single family and multifamily housing.

KHC's and DLG's Fair Housing coordinators will also continue to educate landlords, property owners, housing agencies and citizens about Fair Housing laws.

Rent restrictions are a barrier that has resulted due to requirements under the HOME Program. HOME funds are used extensively to assist with the development of affordable rental housing, often in combination with other sources of funds and housing tax credits. As required by the HOME Program, the rent limitation is often the fair market rent (FMR) for the county in which the project is located. In fact, in most counties in Kentucky, the FMR is the most restrictive rent limitation and must be the imposed rent cap on each of the HOME

units in a project. As a result, these low rents often make the project financially infeasible. Relief is needed in the form of higher rent limits for the HOME Program so that financially feasible, safe, decent and affordable housing may be produced throughout the state.

Homeless and Other Special Needs Populations

Housing alone will not solve the problem of homelessness. Without adequate support services to prevent and end homelessness, many of those who have experienced homelessness find themselves unable to remain in stable housing. The number one gap identified is the lack of funding for these supportive services. HUD and other government agencies stress that mainstream resources should be prioritized to meet the need for these supportive services. However, the inability to access mainstream services is cited by many as a clear barrier by those seeking to serve homeless populations. Consequently, inadequate funding has led to providers having limited staffs with a lack of cross training on the types of support services offered by other service providers. For certain special needs populations, the lack of funding for 24-hour per day support services is a critical gap. Additionally, these gaps and barriers were identified related to services:

- Current definition of “homelessness” is too restrictive to address reality of need for Kentucky families to achieve.
- Lack of transportation – both within counties and especially cross-county.
- Lack of employment options.
- Difficulty in supporting access to mainstream services benefits.
- Access to helping resources overly restricted.
- Conflict in rules and regulations for different programs that serve the same purpose.
- Limited access to supportive housing services – especially on-site services.
- Lack of access to medical assistance for single individuals.
- Difficulty integrating programs for homeless children and/or youth.
- Limited knowledge of all available services and resources.
- Lack of knowledge of state and federal homeless rights legislation.
- Lack of substance abuse treatment – particularly treatment that is affordable and available in a timely fashion.
- Lack of mental health services that are available in a timely fashion, easily accessible, and well funded.

A lack of coordination among programs that provide services to the homeless and those at-risk of becoming homeless hinders the ability to use resources in the most effective, efficient way possible. One of the most commonly cited gaps was inadequate discharge planning. This contributes to homelessness among persons aging out of foster care, persons exiting correctional institutions and persons with serious mental illnesses and/or substance abuse disorders leaving state facilities. However, while adequate discharge planning is a critical

component of homeless prevention, there are a number of other issues that, when properly addressed, can prevent those who are at-risk from becoming homeless. These include:

Prevention Funds. In many cases, individuals and families who are at-risk become homeless because they cannot pay rent or utilities. For example, they lose their job because they cannot get the car repaired to get to work, then they cannot pay the rent and it spirals from there. Unfortunately, there are limited emergency funds to pay those bills and prevent homelessness. There are also insufficient funds available to pay for preventive care to avoid hospitalization or institutional care. The funds that exist for payment of rent and utility deposits are very limited.

Coordination. Blending varied funding streams for programs to serve the homeless presents many challenges, particularly with the inflexibility of many of these funding sources. The limited coordination of existing resources provides further challenges for providers.

Rules. From application requirements that are perceived as too stringent to processing delays, many current administrative procedures and rules are often viewed as barriers.

Financial Literacy. Without “blaming the victim,” many who are at-risk become homeless in part because of limited financial management skills. A lack of understanding of credit, which can lead to overspending, combined with predatory lending practices that target those with low income, can create a situation that can lead to homelessness. Financial literacy is an integral part of support services for families who are homeless or at imminent risk of homelessness. For individuals who are required by the Social Security Administration to have a payee, there are limited resources for this service when there is no available/appropriate family or friend to fulfill this responsibility. On a more temporary basis, there is a need for direct management of finances for individuals or families while they learn the skills to do so for themselves.

Additionally, these gaps and barriers were identified related to prevention:

- Lack of funds focused on homeless prevention.
- Need for additional utilities assistance.
- Limited knowledge of all available services and resources.

KHC will continue to work closely with KICH, CoC agencies and other state agencies to increase coordination of efforts in these areas.

There are a variety of barriers that influence rural HIV/AIDS housing and service provision. In Kentucky many representatives of nonprofit and healthcare organizations feel confident as service providers but are intimidated and

overwhelmed by the prospect of developing and maintaining housing programs. Additionally, the majority of persons living with HIV/AIDS do not want to live in housing that has a stigma associated with it. They want to live in permanent, independent housing.

Financing can be very difficult to secure even in rural areas where development is feasible. For example, rural projects are challenged to compete with urban projects, which typically can show a greater numeric need and can leverage a wider variety of financing options. Rural communities, like urban areas, experience the consequences of NIMBYism. Lack of zoning enforcement and underutilization of protections offered under Fair Housing laws often make this opposition more formidable in rural areas. Persons living with HIV/AIDS are often on fixed incomes and cannot afford all the costs associated with homeownership without a deep subsidy. Lastly, a successful housing initiative must include a plan for the provision of supportive services. However, in rural areas, services, especially medical care specific to the needs of persons living with HIV/AIDS, are nominal or nonexistent.

KHC provides technical assistance and training to HIV/AIDS housing and service providers to increase capacity. Also, HOPWA grantees are encouraged to participate in the CoC system where they may be more successful in partnering services and housing with other providers who may serve the same or similar populations.

While there are differences among the special needs categories in regard to their housing and service needs, there are problems that stand in the way of acquiring decent, safe and affordable housing that are common to all.

- Low Income – All of the different types of disabling conditions result, to varying degrees, in difficulty in maintaining full time employment. If supported employment services are present, part time employment can be a realistic possibility for many. Those whose disability struck at a young age, must live on SSI payments of \$674 per month (2009) supplemented with part time employment. This amount of income typically puts the individual at or below 30 percent of median in most counties in the state.
- Discrimination – While there are differences in the intensity of opposition to housing for the different special needs populations, NIMBY (Not In My Back Yard) is a constant among them. Developers of special needs housing must take into account and address community opposition, in addition to the difficult issues of inadequate funding and scarcity of services.
- Social skills – Many of the disability categories have a negative effect on an individual's social skills. Even those disabilities such as mental illness, which can be controlled by medication, can interfere with an individual's education and socialization. This puts the person at a disadvantage in the competition for scarce affordable housing resources.

- Lack of Funding – There is insufficient funding at all governmental levels to create more safe, decent and affordable housing. This is not a special needs issue, but affects all low-income families. The problem is compounded for special needs housing developers due to the need to link the housing to supportive services. Along with a lack of funding for housing, there is also a lack of funding for the supportive services necessary for persons with a disability to live productively and independently.

Elderly, frail elderly and persons with disabilities

Most of the disabling conditions previously listed result in some degree of physical impairment, ranging from slightly limited mobility to the need for the use of a wheelchair. Even a small degree of mobility impairment, however, can make a standard home or apartment an inhospitable environment.

KHC has identified a need for more accessible units to accommodate both people with existing disabling conditions and those who may experience disabilities in the future brought about by disease, accident, or the natural processes of aging. To this end, KHC stresses the need for adherence to fair housing construction requirements in new construction projects and has implemented an expanded requirement for universal design in new construction projects. KHC further recognizes the need for resources for modifications to existing housing units. The Kentucky Transitions program will also remain in effect to address this underserved need.

Persons with severe mental illness

Persons with severe mental illness (SMI) suffer from one or more of a group of disorders that cause mental disorganization and disturbances in thought processes, resulting in difficulties in relating to others. Their disability is often invisible, which can cause misconceptions and misunderstandings about persons with SMI. Typical types of severe mental illness are schizophrenia, major depression and bi-polar (manic/depressive) disorder. All types of mental illness can be effectively treated with psychotropic drugs, although the effectiveness of drug treatment varies among individuals and types of illness. The extent to which an individual with SMI can function in society depends on his or her specific illness, the effectiveness of the medications for its treatment and the motivation of the individual in adhering to a treatment regimen. Safe Havens and Samaritan Housing programs will continue to address this underserved need.

Persons with drug/alcohol addiction

Persons who continue to relapse from the disease of alcohol and drug dependency or who have a dual diagnosis of substance dependency and mental illness are often involved with the judicial/correctional system as a result of their unacceptable behavior or their criminal activity related to seeking drugs.

Recovery Kentucky will continue as a program serving this underserved need.

Persons with HIV/AIDS

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Stigma continues to be the highest and most feared and perceived barrier that persons with HIV/AIDS must overcome. Many are afraid to receive services for fear someone will find out about their HIV status. This fear is particularly higher in our African-American and Hispanic clients.

Rural areas present another barrier. Some of the most rural counties do not have housing units available that meet affordable and decent safe living needs. Clients living far away also have very limited transportation available to connect to services and entitlements such as SSI, SSDI, Medicaid and food stamps.

The inability of HOPWA to cover the first month's rent and deposit as well as utility deposits continues to be a barrier. The Fair Market Rents, particularly on the one bedroom units, are far below the average rent costs in most service areas.

Affordable Housing Activities

Kentucky's block grant funds will be distributed throughout the state on a competitive basis for eligible activities through several methods described in the program guidelines for each program. Units of local government, nonprofit and for-profit entities will be able to apply for funding to carry out eligible activities.

This distribution system allows eligible agencies to apply for funding for activities that will address the priority needs for their community. In addition, funds awarded to local communities will also address the housing needs outlined in the state's Consolidated Plan.

Eligible activities and recipient types for each block grant program are specifically addressed in their distribution plan, which is contained in this Action Plan. In addition, a summary of eligible activities for each block grant program is listed in the Sources of Funding section of this Action Plan.

The needs outlined in the Consolidated Plan address a variety of needs for affordable housing and community development that were derived from input at local levels across the state and utilizing housing data. The plan represents a wide array of needs. While one particular community may need rental housing production at a specific site, another community may need homeowner rehabilitation over a scattered site. For the state to address its community needs, the block grant programs need a level of flexibility for eligible activities to be undertaken. The state will support any application for funding under both federal and private sources that will assist the state in meeting any category of need for affordable housing and community development.

Lead-Based Paint

Both KHC and DLG have a commitment to ensure that recipients of HOME, CDBG, NSP, ESG and HOPWA funds administer programs that adequately limit the risks associated with lead-based paint. Program administrators assist in statewide and local efforts to detect and abate lead-based paint as appropriate. Recipients of funding through these block grant programs are required to comply with all federal, state and local lead-based paint regulations. KHC and DLG staff members take several steps to fulfill their responsibility regarding lead-based paint hazards.

Applicants for HOME, ESG and HOPWA funds are made aware of the requirements of the lead-based paint regulations as they apply for funds. If funded, applicants receive additional formal training and individual technical assistance provided by staff. This technical assistance is available through the life of the project. Inquiries regarding lead-based paint hazards, evaluation and screening are often referred to the Environmental Lead Program administrator at the Kentucky Department of Public Health. To assist with the cost of lead-based paint removal activities, KHC allows HOME funds to be used in the form of a grant for homeowners receiving assistance for homeowner rehabilitation activities.

KHC adopted an environmental assessment policy several years ago. During the next fiscal year, KHC anticipates a review of the current policy to determine whether it requires revision. The current policy requires a Phase I environmental

assessment for many projects. Dependent upon the findings of a Phase I review, a Phase II review may be required.

KHC staff members perform visual inspections to identify possible lead-based paint hazards for projects wishing to use block grant funds. Several inspections of projects involving rehabilitation are performed during the construction process. In addition, Housing Quality Standards (HQS) inspections are performed at rental properties throughout the state.

DLG has adopted a policy on lead hazard reduction in keeping with federal regulations. For projects involving a home constructed prior to 1978, grantees are notified of the hazards of lead-based paint. In addition, if housing built prior to 1978 is being rehabilitated, the housing must be inspected for defective paint. If surfaces are found to be defective, they must be treated in the course of rehabilitation.

Full abatement of lead-burdened housing is a worthwhile goal. However, it is costly and caution must be taken to ensure that the work is performed in a safe manner by certified workers. Additional information about lead-based paint abatement is available through the Department of Public Health, the federal Environmental Protection Agency, KHC and DLG.

Anti-Poverty Strategy

KHC and DLG have been providing affordable housing and economic development opportunities to low-income families across the Commonwealth for many decades. KHC's programs range from homeless assistance and Section 8 rental assistance to homeownership and housing financing programs. DLG housing programs are typically, but not limited to, single-family housing rehabilitation. DLG offers many non-housing programs, also.

Housing – whether rental or ownership – is viewed as one of the major components in assisting individuals and families in overcoming the struggles of poverty. When a family has a decent, safe place to live, they also obtain the stability needed to work toward self-sufficiency. It takes a combination of many activities, such as job training and education, health and child care assistance as well as a place to call home to effectively assist families on the continuum towards self-sufficiency. A variety of affordable housing programs across the state not only provide direct financial assistance with housing costs, but combine housing assistance with social programs, such as life skills training, job training and homeownership counseling.

KHC's Homeownership Trust Fund program was designed to further extend affordable housing opportunities to eligible low-income clients with special needs. KHC offers fixed interest rates ranging from one to six percent for individuals or families with extensive needs. The interest rate is assigned to qualified

applicants based on a rate that their income can support. Eligible households include single parents, people age 62 or older, and individuals or families with a disability. Funds for this program are limited and are provided on a first-come, first-served basis. This program assists in poverty reduction by allowing families with monetary and other living challenges to purchase and build equity in a home.

KHC's Homeownership Counseling Program works directly with people that were denied a KHC home loan due to poor credit histories. The program is designed to help them get their finances in order to put them in a better position to successfully undertake the homeownership process and purchase a home. Through the Homeownership Counseling Program, KHC provides eligible persons with a list of housing counselors in their area to contact. Upon completion of the counseling program, participants are better able to understand financial and debt management as well as the home buying process. These skills are valuable in purchasing and maintaining a home and help put new homeowners in a better position to plan for their future and build equity.

Recovery Kentucky is an example of how DLG partners with KHC to support a plan to provide permanent housing coupled with substance abuse recovery services for persons who are homeless, jobless and in need of long term substance abuse recovery services and housing as the residents take on a new identity that supports an alcohol and drug free lifestyle. Recovery Kentucky, aimed at addressing the needs of the chronically homeless, provides resources to these individuals who find themselves continually in need of housing and stability due to their addiction.

KHC participates in and offers to other agencies that serve the homeless across the state the opportunity to participate in the HUD's Continuum of Care (CoC) Program. Kentucky's CoC is a regional system for helping people who are homeless, or at risk of homelessness, by providing housing and services appropriate to the whole range of homeless needs in the community. This includes a set of three supportive housing programs based on the law of the McKinney - Vento Homeless Assistance. These three programs include the Supportive Housing Program (SHP), Shelter Plus Care Program (S + C) and Single Room Occupancy Program (SRO).

KHC's supportive housing programs are for families and individuals who, in addition to safe, decent and affordable housing, need access to supportive services in order to stay housed permanently. Supportive housing combines permanent, affordable housing with flexible support services to help the tenants stay housed and build the skills to live as independently as possible.

Target populations include individuals and families who:

- Are very poor;
- Have persistent health conditions or multiple barriers to housing stability;

- Are homeless and/or do not have access to appropriate and stable housing in the community; and
- Would be unable to access or retain housing without tightly linked services.

To address the housing needs of these homeless populations, KHC has several models and strategies that include:

- Apartment or SRO buildings developed by non-profits for people with special needs;
- Single family homes (may be shared);
- Rent Subsidized apartments leased in the private market;
- Units set aside for people with special needs in rent subsidized apartments;
- Units secured by project sponsors through long term master lease with private owners; and
- Services integrated within existing affordable housing.

To help ensure clients long-term success and to move from homelessness to self-sufficiency and break the cycle of poverty, KHC has several services strategies that include:

- Mental health and substance use management and recovery;
- Vocational and employment;
- Money management and benefits advocacy;
- Coordinated support and case management;
- Community building and tenant advocacy; and
- Medical and wellness.

The Kentucky Balance of State CoC and KHC's supportive housing programs process begins at the local level with a combination of the 15 Area Development Districts serving as six regional planning entities for 118 counties across the state. Regional Planning Boards in each of the six regions include service providers, developers, community leaders, advocates, financial institutions and homeless service clients meet as local CoC. At regularly scheduled local planning meetings, participants evaluate their service delivery system, coordinate plans in order to avoid duplication, share resources and establish goals for eliminating gaps in the local delivery system. This community-based process assesses services from prevention to self-sufficiency in permanent housing.

KHC and Regional Planning Boards recognize that employment is a critical step for homeless persons to achieve greater self-sufficiency, which represents an important outcome that is reflected both in participants' lives and the health of the community. The Kentucky Balance of State CoC application includes HUD's goal for increasing the percentage of persons employed at program exit to at

least 20 percent. In the 2009 Kentucky Balance of State CoC application, this goal was not only achieved but exceeded at 37 percent.

Each local planning board also assesses barriers to service delivery and special populations that may find it more or less difficult to access available services. COC planning helps communities develop a common vision and a set of common goals to address the needs of the homeless.

Since re-authorization of Temporary Assistance Needy Families in 2006, KHC began a self-sufficiency trend in housing programs. From the inception of Safe Havens, which focuses on economic self-sufficiency while using housing as a base component to other instituted programs such as Family Self-Sufficiency (FSS), KHC instills in housing participants, case management agencies, and other state partners the importance self-sufficiency plays. KHC partners with agencies throughout the state to ensure participants receive case management to develop self-sufficiency goal plans and receive accountability striving to reach those goals. KHC implemented economic self-sufficiency in three housing programs, Safe Havens, FSS and Samaritan Project through the development of specialized components and using existing resources.

KHC began the Safe Havens program, which works homeless families and individuals toward self-sufficiency through case management services. Kentucky Housing provides transitional housing vouchers throughout Kentucky to domestic violence victims and homeless families with the Safe Start Program and homeless individuals with severe and persistent mental illness through Safe Place, which fulfills one area of self-sufficiency. The temporary housing vouchers are available for one year and may be renewed after the first year if no other housing options have been identified. Case management partners provide the other aspects of economic self-sufficiency, with Kentucky Housing building collaborations to support their efforts.

Local communities provide case management through agreements and partnerships as well as serving as the main source of referrals to the Safe Haven Project. Over 70 case management agencies throughout Kentucky make referrals to Kentucky Housing; these agencies include but are not limited to homeless shelters, domestic violence shelters and community mental health agencies.

KHC requires Safe Havens participants to go to case management, which will include participation in activities to lead to economic self-sufficiency (i.e. full-time employment, education, attendance in financial literacy classes). If participants do not make progress toward economic self-sufficiency, they could forfeit their housing vouchers.

Case management will help Safe Havens participants identify skills and resources to gain economic self-sufficiency. This approach will be based upon the goals of the participants and will be participant-driven as long as the goals

are not counter-productive. In cases where participants are not making progress toward their goals due to effort, they will be terminated from the Safe Havens program.

To move Safe Havens participants toward self-sufficiency, KHC moves them to Section 8 housing choice vouchers when possible. Once they are on Section 8, KHC requires Safe Start participants to participate in FSS.

The second KHC program, available to all HCV participants, is Family Self-Sufficiency (FSS), a federal program designed to promote economic self-sufficiency. HCV participants voluntarily enroll in this program, which establishes an escrow account based upon their rent subsidy. When FSS Participants' rent increases due to an increase in earned income, a portion of the rent increase goes into an escrow account for the participant, which may be used for any of the following four reasons: starting a small business, pursuing post-secondary education, purchasing a car or car repairs, or buying a house. The accounts are opened for five years due to a contract established between Kentucky Housing and the participant. The contract includes three goals, which must be obtained by the end of the contract term to receive funds in their escrow accounts. (Contracts may be extended or shortened if need be.) The average FSS graduate receives about \$2,587 in funds upon completion of the program, and 85 percent achieve market rent status by the end of the contract. In 2007, Kentucky Housing received the Kentucky FSS Program of the Year from HUD.

KHC receives a grant from HUD to fund three positions for the administration of FSS. In return, KHC commits \$25,000 of Housing Assistance Funds to help reimburse case management agencies for their time spent in FSS case management.

In order to assist participants toward economic self-sufficiency, KHC identifies resources for participants and cultivates local partnerships to create additional resources.

Partners and Services

KHC identifies partners and creates other opportunities to enhance the self-sufficiency component for Safe Havens and FSS participants. Many of these resources are free to the Safe Havens Program. Identified resources and partnerships are as follows.

- Individual Development Accounts (IDAs) – KHC assists with funding for two IDA programs through Kentucky Domestic Violence Association (KDVA). Financial literacy may be one of the biggest barriers to reaching economic self-sufficiency and homeownership. IDAs can only be used for homeownership, post-secondary education, or starting a small business. Eligible candidates will need incomes at or below the federal poverty line,

- possess a credit score of at least 500, and have earned income. They must save at least \$20 per month and participate in financial management counseling. For every dollar, participants save in an IDA, they receive \$. IDAs maximize at \$6,000.
- KHC funded another IDA program using HAF funds, which were awarded to KDVA and the Center for Women and Children. IDAs are available to all eligible Safe Havens participants, FSS participants and others in a homeownership counseling component. Kentucky Housing is currently conducting a pilot project to use these accounts with homeownership counseling clients as well.
 - Office of Vocational Rehabilitation – KHC has a list of contacts in each Vocational Rehabilitation office for program referrals. KHC and this office have a Memorandum of Understanding recognizing our commitment to the referral partnership. This department will work with individuals with disabilities to move them to economic self-sufficiency.
 - Education – KHC can make referrals to Kentucky Community and Technical College System's (KCTCS) Ready-to-Work program to help participants who want to pursue post-secondary education. In addition, KHC educates case managers on the certificate and degree programs at KCTCS as well as other accredited institutions. Case managers are encouraged to refer Safe Havens participants to Adult Basic Education if they are not ready for post-secondary education. Adult Basic Education helps to identify grade levels in reading and math and creates a study plan for individuals to increase these skills. They also teach General Equivalency Diploma classes and do Work Keys Assessments.
 - Education Bonus Program - All participants, who are enrolled in an educational activity, in the Safe Havens and FSS programs are eligible to enroll in the Education Bonus Program. This program provides an educational bonus for obtaining a General Equivalency Diploma (GED), certificate, and/or successful semester completion. The bonuses help reward participants for positive steps toward education so they can obtain better employment.
 - Earned Income Tax Credit - Nationally, EITC lifts 19.4 million people out of poverty. EITC is designed for persons who are United States' citizens and have earned income during the year. The maximum EITC for 2009 is \$5,657. Most of the participants of the Safe Haven Project, who earned income, will qualify for EITC. Kentucky Housing sends information on EITC to Safe Havens case managers as well as a list of free tax preparation sites in their area.
 - Food/Nutrition – The UK Cooperative Extension office under UK College of Agriculture hosts a food stamp and education food nutrition program.

Both programs operate in particular counties in the state. These programs work with individuals and families to teach proper nutrition and preparing meals on a budget.

- Parenting - Parenting is an ancillary service for participants to reach self-sufficiency, but when focusing on the well-being of children, it may be one of the most important components of self-sufficiency. Each county extension office can provide parenting classes to referrals. This vital piece will ensure that parents learn correct ways to discipline their children while earning respect as well as how to cope with difficult parenting situations.
- Financial Literacy - UK Cooperative Extension offices also have the ability to teach financial literacy classes. In areas where case managers identify this as a need, Kentucky Housing is forging those relationships.
- Kentucky Transitional Assistance Program (KTAP) – Kentucky Housing and the Cabinet for Health and Family Services work closely together to ensure that Safe Havens case managers are aware of policies and benefits that may affect Safe Havens participants, who also receive KTAP.

Two different newsletters are distributed through the Safe Havens project. First, an email newsletter is distributed through case management agencies, highlighting changes in the program, updates, and self-sufficiency resources. In addition, Safe Havens participants receive newsletters through the mail. A bi-monthly newsletter, written by UK Cooperative Extension Office, highlighting financial literacy, EITC and job readiness tips, is sent to Safe Havens and FSS participants. KHC will create a newsletter for the alternate months, which will feature successes, job readiness tips, communication strategies, and resources.

KHC conducts trainings for Safe Havens and FSS case management agencies, focusing on self sufficiency as well as referral documentation and housing information. The majority of the trainings focus on new exciting resources to move participants toward economic self-sufficiency.

In addition to these trainings, KHC partners with the state Division of Mental Health to host SOAR (SSI/SSDI, Outreach, Access, and Recovery) trainings throughout the state. SOAR teaches case managers how to complete disability applications more thoroughly. With techniques from these trainings, more disability applications are approved upon the first submission. Although SSI/SSDI will not lift households above the poverty line, it certainly can help households sustain an income, and with housing assistance, can be as sufficient as the individual has capacity to be.

Another program that KHC implemented to assist with lifting families out of poverty is the Samaritan Project. The Samaritan Project is a Supportive Housing Program that serves unaccompanied adults with documented disabilities. It is

designed as part of the CoC strategy to promote the development of housing and supportive services to assist homeless persons in the transition from streets and shelters to permanent housing and maximum self-sufficiency. It is renewable annually through the CoC application.

Because Supportive Housing is a federal grant program authorized by the McKinney-Vento Homeless Assistance Act of 1987, participants must meet the following U.S. Department of Housing and Urban Development definition of chronically homeless: “An unaccompanied homeless individual with a disabling condition who has either been continuously homeless for a year or more or has had at least four (4) episodes of homelessness in the past three (3) years.”

The Samaritan Project is a permanent housing program. A housing voucher is issued to the participant following third-party verification of income, chronic homelessness, disability and household composition. KHC operates two Samaritan Projects in the balance-of-state. One bedroom apartments are leased for program participants.

Participants of the Samaritan Project must receive services from a referring agency, such as the local comprehensive care agency. Referring agencies will be responsible for ongoing case management, access to psychiatric care, housing support and services. While this program targets a different target group than Safe Havens and FSS, the design lends itself to ameliorating homelessness through sustaining housing and securing income (whether through employment or disability earnings).

The three self-sufficiency programs within KHC encompass many partnerships with non-profits, federal and state agencies. Without these partnerships, the ability to work toward economic self-sufficiency (defined by individual capacity) for these participants would be hindered. However, without the ability to use the vouchers to stabilize housing, economic self-sufficiency is an idea rather than an activity. Safe Havens, FSS, and Samaritan project, along with other established federal housing programs, brings housing and self-sufficiency together in an innovative approach to meeting needs and providing opportunities to Kentuckians while cultivating resource partnerships to fulfill gaps in services.

Kentucky’s strategy for reducing poverty across the state focuses on coordinating the major components of economic development, education, housing, childcare, health care and transportation. In order to accomplish this task, coordination among all levels, such as public agencies, private businesses and local and state government agencies is crucial. Since the overall purpose is to assist families in becoming self-sufficient, the strategy must ensure that these families are equipped with all of the necessary tools to accomplish this task.

In many cases, families need assistance in many different areas, such as job development and training, childcare and affordable housing. Providing

assistance with one of these components alone will not accomplish the task of helping a family become self-sufficient. To meet the goal of raising the standard of living for all low-income individuals and families, the state is committed to assisting individuals in achieving employment; continuing adult education and post-secondary education; childhood development intervention; adequate and affordable child care for working families; increased access to health insurance coverage and the provision of affordable housing opportunities.

DLG will continue to fund through the CDBG Program traditional economic development activities that create or retain jobs principally benefiting low- and moderate-income persons.

Nontraditional economic development projects are those which provide funding of activities including, but not limited to, job training and placement of other support services including peer support counseling, child care and transportation. Microenterprise development is designated to provide funds to local communities and community-based organizations for the purpose of providing assistance and technical services to low- to moderate-income persons who either currently own a small business or are interested in starting one.

DLG will exercise the authority provided in 24 CFR § 570.702 to apply to HUD for Section 108 loan guarantee funds on behalf of non-entitlement jurisdictions. The State may leverage up to five times its annual CDBG allocation to finance large-scale development projects. The Section 108 Loan Program provides an additional source of funds to address significant economic development and community projects which have a regional or statewide impact.

DLG will continue to administer funds received from HUD under the American Recovery and Reinvestment Act (ARRA). Thirteen projects are underway including 4 wastewater treatment and collection projects, 1 water distribution project, 3 housing projects, 2 community projects, 2 addiction recovery centers and a job training project.

DLG administers Neighborhood Stabilization Program (NSP) funds as required by HUD regulations. At least 33 percent of the funds will be used to purchase or redevelop abandoned, vacant or foreclosed residential properties that will be used to house individuals or families at or below 50 percent of the area median income.

The programs described previously, as well as other housing programs across the state, focus primarily on helping lower income families obtain homeownership. Besides financial assistance for housing, many programs include a wide range of social components that aim to build these families' knowledge and skills for achieving and maintaining financial independence. Along with the benefits of homeownership come pride, stability and the ability to build wealth. Homeownership is an investment, which allows families to acquire

wealth through building equity in their homes. This equity in turn can be used to purchase future housing, education or serve as a retirement security. Providing families with the tools needed to build wealth and over-come poverty is the main strategy for the state in reducing the number of persons in poverty.

Institutional Structure

KHC and DLG will continue to partner with a diverse number of entities from private industry, non-profit organizations and public institutions in carrying out activities under the Consolidated Plan.

DLG works directly with eligible units of local government in distributing CDBG funds, which are awarded on a competitive basis through an open application process. Local governments are best equipped to understand the needs of their individual communities and, through an open application process, present projects for funding that are ready to proceed. To strengthen gaps in this process, DLG conducts training for local officials and grant administrators. Training acquaints the officials with the regulatory requirements of the program. Information included that assists in ensuring strong applications and successful projects includes environmental requirements, labor standards, procurement standards, fair housing and equal opportunity and concerns related to construction and housing.

KHC is responsible for the administration of the HOME, ESG and HOPWA Programs. HOME funds are made available through an application process detailed in the program guidelines. An applicant will work with a KHC staff member, as needed, to receive technical assistance in completing the application. If the proposed project is deemed viable, funds will be allocated, if available. Eligible applicants include, but are not limited to, units of local government, Community Housing Development Organizations (CHDOs), nonprofit housing organizations and for-profit developers. Direct technical assistance from program staff for the HOME, ESG and HOPWA Programs is provided on a statewide basis to all eligible applicants. After funding is awarded, implementation and administration training is available to all recipients. In addition to administering the federal block grant programs, KHC and DLG administer other programs that partner with units of local government, CHDOs, nonprofit housing organizations and for-profit developers.

Both KHC and DLG depend on the active participation of partners to accomplish the overall goals of these programs of providing affordable housing opportunities to lower-income families and individuals across Kentucky:

- KHC is the state public housing agency and administers Housing Choice Voucher Program funds in counties where there is no housing authority to administer this program.

- KHC also works directly with HUD in the administration of the Risk-Sharing Program in order to increase the number of safe, decent and affordable rental units throughout the state. KHC processes and underwrites the loan applications and, in the event of default, the mortgage insurance risk is shared between KHC and HUD.
- The Governor's Local Issues Conference is held annually and is attended by local officials from cities and counties throughout the Commonwealth.
- A annual Kentucky Affordable Housing Conference will be held in the fall of 2009 and will be attended by representatives of various organizations that deal with housing throughout the state. Conferences such as these often generate new and innovative ideas on the best processes to better serve the housing needs of the people of Kentucky.
- KHC works with the Recovery Kentucky Task Force that advocates for substance abuse recovery services through long-term supportive housing, recovery programs aimed at addressing homelessness and recovery from addiction within the commonwealth.
- KHC coordinates the state's Housing Policy Advisory Committee and Kentucky Interagency Council on Homelessness which are discussed below.

The role of the nonprofit organizations has proven to be an essential component of the overall delivery system of funding for affordable housing programs. KHC began working with nonprofit organizations that provided affordable housing opportunities in the early 1970s by providing technical assistance and administrative dollars. These funds were also used to aid in the creation of new nonprofit agencies. Currently, KHC is working with hundreds of nonprofit organizations across the state, through the various programs offered at KHC.

Over the past several years, the number of private housing developers that have participated with KHC programs has increased. Many of these private housing developers utilize the Housing Credit Program as well as other federal and state housing programs for the development of affordable rental housing across the state. This has helped increase the number of safe, decent and affordable housing units for lower income renters. Likewise, the number of private developers utilizing HOME funds to provide homeownership opportunities has increased during recent years.

In addition to private housing developers, KHC, through its single-family loan program, works with over 250 private lending institutions in the origination and processing of KHC mortgages. The lender network expands across the state and enables lower income families the opportunities to access KHC's loan products.

Governmental agencies that KHC works with in providing affordable housing programs include the Federal Housing Administration (FHA) and the U.S. Department of Agriculture Rural Development Office. Both of these agencies provide mortgage insurance for KHC's single-family loan programs. Other federal affordable housing programs that are available throughout the commonwealth are listed under "Sources of Funds" in this plan.

Coordination

Housing Policy Advisory Committee

In 1996, with the successful passage of House Bill 73, the State Housing Policy Advisory Committee was created. The advisory committee consists of ten ex officio state government members, seventeen at-large members appointed by the chairman of the Board of Directors of KHC, one member of the Senate and one member of the House of Representatives. The advisory committee submits an annual report of activities and recommendations to the governor.

Kentucky Interagency Council on Homelessness

By Executive Order 2007-751 of the Commonwealth of Kentucky, the Kentucky Interagency Council on Homelessness (KICH) is composed of representation from state government, nonprofit and advocacy agencies to collaborate and perform the following functions and duties: KICH Executive Committee consists of the CEO of Kentucky Housing Corporation, Secretary of Health and Family Services Cabinet, Secretary of Justice and Public Safety Cabinet, Secretary of Education Cabinet, Secretary of Transportation Cabinet, Executive Director of Administrative Office of the Courts, State Budget Director, Commissioner of Veterans Affairs, Executive Director of the Homeless and Housing Coalition of Kentucky and one member from each house of the Kentucky General Assembly appointed by the Governor.

The KICH Steering Committee consists of representatives of the Executive Committee, state government agencies, homeless advocates and service providers. The KICH Steering Committee has five policy subcommittees that mirror the "core concerns" identified in the Ten-Year Plan to End Homeless. The policy subcommittees are: housing, services, prevention, public will and data.

Kentucky Commission on Community Volunteerism and Service

A statewide, bi-partisan group comprised of at least 15 members, appointed by the governor, with diverse service and volunteerism backgrounds. The KCCVS actively engages citizens in community service opportunities that enable volunteers, organizations and businesses to share ideas and effectively collaborate to address Kentucky's needs. The KCCVS funding is provided by the Corporation for National and Community Service and the Kentucky General Assembly. KCCVS has oversight for 13 AmeriCorps* State programs including the Build Corps sponsored by the Homeless and Housing Coalition of Kentucky.

The Build Corps program assists low-income families/individuals access permanent and/or transitional housing and serve as construction assistants with nonprofit agencies, rehabilitating and building housing in low-income communities.

Governor's Reentry Task Force – Statewide Reentry Steering Team

By Executive Order 2009-36 of the Commonwealth of Kentucky, the Governor's Reentry Task Force was established to develop policy recommendations regarding the reduction of recidivism, enhancement of public safety and the furtherance of reentry efforts in the Commonwealth. The mission of Kentucky's Reentry initiative is to integrate successful offender reentry principles and practices in the Commonwealth of Kentucky state agencies and communities resulting in partnerships that improve public safety, enhance offender self-sufficiency, and reduce recidivism. The Kentucky Statewide Reentry Steering Team is developed to create a multidisciplinary work team to develop recommendations and provide information to the Governor's Reentry Task Force.

A collaboration of the Kentucky Affordable Housing Trust Fund and Department of Mental Health/Mental Retardation is another example of agencies coordinating to better the housing situation of citizens of the Commonwealth. The 1996 Kentucky General Assembly appropriated state general fund dollars to the Department for Mental Health and Mental Retardation Services (DMH/MRS) to support the housing needs of their priority populations. Recognizing that KHC was the state housing finance agency for Kentucky, DMH/MRS proposed a partnership between the two agencies. KHC would be responsible for administering DMH/MRS's funds through its Affordable Housing Trust Fund. The coordination between these two agencies ensures that these funds are distributed in the most efficient and effective way possible, assisting the maximum number of Kentuckians in need.

In 2009, the annual allocation of \$383,000 from the Cabinet for Health and Family Services, Department of Behavioral Health, Developmental and Intellectual Disabilities, given to KHC was reprogrammed to better address the needs of the state of Kentucky. This annual amount is now focused on the needs of that portion of the Olmstead population with severe and persistent mental illness. These funds are used to move individuals from psychiatric hospitals and nursing facilities to apartments in the communities of their choice. Eligible and appropriate individuals are identified by staff of the Department of Behavioral Health, Developmental and Intellectual Disabilities, and the program, called the Olmstead Housing Initiative is administered by staff of KHC Department of Specialized Housing Resources

Another partnership between KHC and the DMH/MRS (renamed Department of Behavioral Health, Developmental and Intellectual Disabilities) is the hiring of a Supportive Housing Specialist. This KHC employee's salary and expenses are paid equally by KHC and the DBH/DID. The Specialist has worked with both

agencies to sponsor statewide conferences for nonprofit providers on how to combine housing and services. He also provides one-on-one technical assistance to these agencies and holds monthly meetings with them to improve their knowledge of resources and coordination of services by distributing outreach materials and information for their clients about the Kentucky Continuum of Care. The Commonwealth of Kentucky has formed an Olmstead working group to develop responses and resources that insure that persons with disabilities have appropriate housing access and are not required to remain institutionalized due to a lack of housing resources. A representative of the DBH/DID also serves on the Kentucky Council on Homeless Policy that establishes the goals and strategies of the Kentucky COC.

Staff of KHC's SHR Department also serve on other statewide planning and coordinating agency committees. These include the Hart-Supported Living Council which creates policy for the Hart-Supported Living Program, a program that provides a flexible source of funding that goes directly to individuals with a variety of physical and mental disabilities. Staff also serve on the Kentucky Mental Health Planning and Advisory Council which sets policy and coordinates the programs created by the Mental Health Block grant received by the state, and the Kentucky Partners for Youth Transition which is charged with easing the transition to adulthood of youth receiving services from the state's mental health service delivery system.

Continuum of Care

Kentucky Housing Corporation participates in and offers to other agencies that serve the homeless across the state the opportunity to participate in the U.S. Department of Housing and Urban Development's Continuum of Care (COC) Program. The CoC is a local or regional system for helping people who are homeless, or at risk of homelessness, by providing housing and services appropriate to the whole range of homeless needs in the community. This includes a set of three competitive programs based on the law of the McKinney - Vento Homeless Assistance. These three programs include the Supportive Housing Program (SHP), Shelter Plus Care Program (S + C) and Single Room Occupancy Program (SRO).

The Kentucky Balance of State COC process begins at the local level with a combination of the 15 ADD districts serving as six regional planning entities for 118 counties across the state. The City of Lexington as well as the City of Louisville have their own CoC application and are funded separately from the Balance of State CoC.

Eligible applicants include state, local governments, other government agencies (such as public housing agencies), private nonprofit organizations, and community mental health associations that are public nonprofit organizations.

Those applying for one of the three CoC programs do so annually. Once a program is funded, that program is then eligible for renewal funding on an annual basis as well. The application process begins after HUD publishes a Notice of Funding Availability (NOFA) for the CoC Program in the Federal Register. All renewal applications are ranked based on most recently completed program year performance, HUD guidelines and participation in the overall CoC process.

Kentucky Balance of State Continuum of Care is at Hold Harmless which means that current funding exceeds the pro-rata funding need determined by HUD thus no additional funds are available at this time for new projects.

In the Kentucky Balance of State CoC, service providers, developers, community leaders, advocates, financial institutions and homeless service clients meet as local COC Planning Boards in each of the six regions. At monthly local planning meetings, participants evaluate their service delivery system, coordinate plans in order to avoid duplication, share resources and establish goals for eliminating gaps in the local delivery system. This community-based process assesses services from prevention to self-sufficiency in permanent housing.

Each local planning board also assesses barriers to service delivery and special populations that may find it more or less difficult to access available services. COC planning helps communities develop a common vision and a set of common goals.

Each local COC planning board works with Kentucky Housing Corporation's (KHC) Specialized Housing Resources Department staff members in the planning and implementation of the CoC process. KHC also serves as the applicant and grantee for the majority of Kentucky's COC projects to ensure administrative capacity and uniformity in program review. KHC does not determine who is funded through the CoC process.

UK Cooperative Extension

The KHC Self-Sufficiency manager serves on a statewide University of Kentucky Family and Consumer Sciences Extension Advisory Council to give input and guidance for our program efforts within Kentucky. With the partnership with UK Cooperative Extension for newsletters for self-sufficiency participants, UK recruited KHC for this advisory council in order to keep goals and needs of participants in their consideration when developing initiatives. The term will for the next two years beginning in April 2010.

FSS Provider Coordinating Committee

The FSS Provider Coordinating Committee (PCC) is established to assist KHC with planning and implementing the FSS Program. Members are representatives from state, local and private groups who have resources to assist low-income

families and have a commitment to family self-sufficiency. The PCC serves as an advisor in the administration of the FSS Program. KHC staff consults with PCC members and case managers; however, final decisions remain the responsibility of KHC.

The KHC administrator for the FSS Program will be an ex-officio member of the committees. KHC will also recruit one participating FSS head of household to participate on each PCC.

In recent years, KHC explored the needs of self-sufficiency and its impact on those in housing assistance programs. Establishing a small self-sufficiency component in a select number of programs enabled KHC to develop partnerships within agencies that would not ordinarily seem to fit into a housing mission. The creation of Safe Havens enhanced already existing partnerships and created new partnerships with agencies. Due to the vast array of services needed to help participants reach economic self-sufficiency, a rather new area for KHC to do work at a larger scale, the following statewide partnerships were established.

- Kentucky Domestic Violence Association receives grants from KHC to administer statewide Individual Development Accounts (IDA) programs;
- Cabinet for Health & Family Services (CHFS) allows KHC to send Safe Havens participants to their job readiness classes, easy access to Ready-to-Work programs throughout the state, and access to their statewide computer system which contains benefits information.
- Office for Vocational Rehabilitation serves on the statewide Provider Coordination Committee (PCC) required through the FSS grant from HUD.
- UK Cooperative Extension office writes newsletters for KHC to send to self-sufficiency participants. Newsletter topics include financial literacy, inexpensive recipes, parenting tips, clothing tips, etc.

As KHC develops self-sufficiency further, local partnerships must be established to assist participants. The CHFS open child protection cases with participants from time-to-time. In these cases, KHC must develop relationships with local office to provide support to families as well as to CHFS. With mental illness, local partnerships with the community mental health agencies have been established so referrals are easily made. In addition, the community mental health agencies may refer to Safe Havens and the Samaritan Project, which assists chronically homeless.

In future years, KHC will continue to enhance these partnerships and develop new partnerships as needs arise with participants. The PCC is open to new members, and KHC constantly recruits needed partnerships for this committee.

Fair Housing

KHC and DLG have fair housing specialists on staff. Their primary purpose is to coordinate with recipients of funds, especially those receiving federal dollars, to promote awareness and provide education in the area of fair housing. This position is also actively involved in the development of the Consolidated Plan and has worked directly on developing the Analysis of Impediments to Fair Housing. The fair housing specialist works and coordinates directly with other fair housing organizations across the state in the exchange of information and organizing events and workshops.

19. Describe the actions to coordinate its housing strategy with local and regional transportation planning strategies to ensure to the extent practicable that residents of affordable housing have access to public transportation.

Because Kentucky is a primarily rural state and metropolitan areas that do have public transportation are entitlement communities, this section does not apply in general. However, projects applying for funding under Consolidated Plan programs must take into consideration the availability of transportation for its residents during program design.

PROGRAM SPECIFIC REQUIREMENTS

CDBG 91.220(l)(1) (State: 91.320(k)(1))

1. *Identify program income expected to be received during the program year, including:*
 - *amount expected to be generated by and deposited to revolving loan funds;*
 - *total amount expected to be received from each new float-funded activity included in this plan; and*
 - *amount expected to be received during the current program year from a float-funded activity described in a prior statement or plan.*

Not applicable to state plans.

2. *Program income received in the preceding program year that has not been included in a statement or plan.*

Not applicable to state plans.

3. *Proceeds from Section 108 loan guarantees that will be used during the year to address the priority needs and specific objectives identified in its strategic plan.*

Not applicable.

4. *Surplus funds from any urban renewal settlement for community development and housing activities.*

Not applicable.

5. *Any grant funds returned to the line of credit for which the planned use has not been included in a prior statement or plan.*

Not applicable.

6. *Income from float-funded activities.*

Not applicable.

7. *Urgent need activities, only if the jurisdiction certifies.*

Not applicable.

8. *Estimated amount of CDBG funds that will be used for activities that benefit persons of low- and moderate income.*

Not applicable.

SECTION I - KENTUCKY'S GOALS AND OBJECTIVES

The 2010 Kentucky Community Development Block Grant (CDBG) Program maximizes efficiency in program delivery and effectiveness of federal dollars. The following goals and objectives were adopted to promote community and economic development:

Goal 1: To improve local economies and the economic well-being of the people of Kentucky while protecting the environment.

Objectives

- a. Encourage private investment that will result in the creation of new jobs, primarily for the unemployed and underemployed.
- b. Discourage the out migration of businesses that employ and serve the local population.

Goal 2: To provide public facilities to eliminate conditions which are detrimental to the public health and safety and which thus detract from further community development or which are necessary to meet other essential community needs.

Objectives:

- a. Improve existing public facilities.
- b. Provide new facilities when warranted by recent population growth or when essential needs exist.

Goal 3: To improve the condition of housing and expand fair housing opportunities especially for persons of low and moderate income (LMI).

Objectives:

- a. Encourage the rehabilitation of appropriate existing housing units.

- b. Encourage the creation of new housing units including adaptive reuse of suitable structures.
- c. Encourage the purchase and preparation of sites for construction of new housing units for persons of low and moderate income.
- d. Eliminate blight conditions in residential areas through demolition, code enforcement and related activities.

Goal 4: To improve the quality of life through funding community projects requested by individual communities to enhance community pride and involvement and perpetuate local identity.

- Objectives:**
- a. Enable local communities to provide services they have determined are important but generally cannot afford.
 - b. Foster a revitalization of community structure to help communities help themselves.
 - c. Improve the condition of housing and expand fair housing opportunities, especially for persons of low and moderate income.

Goal 5: To assure that not less than 70% of the total amount of CDBG funds* received for Fiscal Years 2010, 2011 and 2012 shall be used for support of activities that benefit persons of low and moderate income.

- Objectives:**
- a. Expand economic opportunities principally for persons of low and moderate income.
 - b. Provide public facilities that are necessary to the public health and safety principally for persons of low and moderate income.
 - c. Improve the quality of existing housing stock and the availability of housing units principally for persons of low and moderate income.
 - d. Improve the quality of life through funding community projects requested by individual communities to enhance community pride and involvement and perpetuate local identity.

* *Percentage is applied to the aggregate of state CDBG funds, after excluding costs for planning, management and administration for both the state and units of general local government.*

SECTION II - NATIONAL OBJECTIVES

Each activity funded under the Community Development Block Grant (CDBG) Program must meet at least one of the three National Objectives identified in Title I of the Housing and Community Development Act of 1974 as amended in 1983,

1987 and 1992 (the Act), Section 104(b) (3) and regulations contained in the 24 Code of Federal Regulations (CFR) 570.483. The three objectives are:

1. Benefit to low and moderate income persons;
2. Prevention or elimination of slums or blight; and
3. Meeting community development needs having a particular urgency.

The applicant is responsible for selecting and documenting how each activity addresses a National Objective. Explanations of the objectives and required documentation are described below.

Please note: The Act identifies as a primary objective the "... development of viable urban communities by providing decent housing and suitable living environment and expanding economic opportunities, principally for persons of low and moderate income...". The state is required to assure that "...not less than 70% of the aggregate of the federal assistance provided to the State under Section 106... shall be used for the support of activities that benefit persons of low and moderate income..."

A. **Activities which Benefit Low and Moderate Income Persons**

An activity will meet this objective if 51% of the persons benefiting from the activity are of low and moderate income. Low and moderate income levels are defined in the Act as Housing and Urban Development (HUD) determined calculations based on median family income. Income figures for each county or area and further information on how an activity may meet this test can be obtained from the Department for Local Government (DLG). Further information on how an activity may meet this test is given in Appendix B.

Required Documentation

Applicant must maintain records that at least 51% of the persons benefiting from the activity are of low and moderate income. Low and moderate income beneficiaries must be accounted for on the Person Benefit Profile form. Documentation must be maintained verifying the low and moderate income beneficiaries. This information must be explained and the sources and the applicable regulation cited on the appropriate forms.

B. **Activities which Aid in the Prevention or Elimination of Slums or Blight**

An activity will meet this objective if:

1. It meets a definition of slum area, blighted area, deteriorated or deteriorating under Section 99.705 of Kentucky Revised Statutes (KRS); and

2. It contains a substantial number of deteriorating or dilapidated buildings throughout the area; and
3. The activity is designed to address one or more of the conditions that contributed to the deterioration of the area; or
4. The activity addresses an individual structure, which would otherwise meet the definition of slum or blight.

Further information on how an activity may meet this test is given in Appendix B.

Required Documentation

Applicant must maintain records that the activity meets the definition of prevention or elimination of slums or blight. Records must also be maintained describing the boundaries of the area and the conditions of the area which qualify it under this objective. Documentation may include photographs, structural surveys or development plans. This information must be explained, the sources and the applicable regulation cited on the appropriate forms.

C. **Activities Designed to Meet Community Development Needs Having a Particular Urgency**

An activity will meet this objective if it:

1. Addresses needs having a particular urgency because existing conditions pose a serious and immediate threat to the health or welfare of the community;
2. Is of recent origin (within 18 months) or which recently became urgent; and
3. Has no other available source to complete the funding package and the community cannot finance the activity on its own.

Further information on how an activity may meet this test is given in Appendix B.

Required Documentation

Applicant must maintain records as to the nature and degree of seriousness of the problem, that the activity was designed to address the urgent need, that the problem is of recent origin, that other funding is not available, and the community cannot finance the activity alone. This information must be explained in detail and the applicable regulation cited in the application on the appropriate forms.

SECTION III - GENERAL INFORMATION FOR APPLICANTS

A. **Eligible Applicants**

All cities and counties in Kentucky are eligible for participation with the exception of the following entitlement jurisdictions:

Ashland, Bowling Green, Covington, Elizabethtown, Henderson, Hopkinsville, Owensboro, Lexington/Fayette Urban County government and Louisville/Jefferson County metro government.

Only a project which can be proven to accrue direct benefit to a nonentitlement area will be eligible for funding.

B. Program Areas

Applications may be submitted in the following program areas:

1. Community Emergency Relief Fund (CERF) (See Section IV)
2. Community Projects (See Section V)
3. Economic Development (See Section VI)
4. Housing (See Section VII)
5. Microenterprise Development (See Section VIII)
6. Public Facilities (See Section IX)
7. Public Services (See Section X)

C. Threshold Requirements

Threshold requirements are those requirements that each community with a previous CDBG grant applying for a 2010 CDBG grant must meet prior to DLG accepting its pre-submission documents or its grant application.

1. Public Facilities, Housing and Community Projects

- a. Previous CDBG Public Facilities, Housing and Community Project grantees may apply for Public Facilities, Housing or Community Project or Community Project funds if the following threshold requirements are met prior to Pre-Submission.

Period Funded

2008-2009	80% of the grant funds expended, program income reports approved and audit requirements met prior to Pre-Submission
2007 and earlier	Final closeout issued or Notice of Completion issued, program income reports approved and audit requirements met to date

- b. Previous CDBG Small Cities Economic Development grantees may apply for Public Facilities, Housing or Community Project funds if the following threshold requirements are met prior to Pre-Submission.

Period Funded

2007 and earlier Final closeout issued or Notice of Completion issued, program income reports approved and audit requirements met to date

- c. Previous CERF, Renaissance Kentucky or Renaissance on Main and Microenterprise Development grantees may apply for Public Facilities, Housing or Community Project funds if program income reports are approved and audit requirements are met to date.

2. Traditional Economic Development

Traditional Economic Development applicants must have an approved program income report if applicable and audit requirements met to date.

3. Non-Traditional Economic Development

Non-Traditional Economic Development applicants must have an approved program income report if applicable and audit requirements met to date.

4. Microenterprise Development

Microenterprise Development applicants must have an approved program income report if applicable and audit requirements met to date. In addition, existing Microenterprise Development Projects may not apply for funding in the year subsequent to the grant award.

5. Community Emergency Relief Fund

CERF applicants must have an approved program income report if applicable and audit requirements met to date.

6. Public Services

There are no threshold requirements for application.

An applicant may appeal the threshold requirement in writing to the Commissioner of DLG. Consideration will be given if it can be proven that due diligence has been pursued in the project's management and the rationale for failing to meet the threshold requirement is related to the grant's participating party, job assessment period or circumstances beyond the control of the grantee. If an appeal request is approved, a written waiver will be issued by the Commissioner of DLG. Threshold requirements apply to all parties submitting a multi-jurisdiction application.

DLG reserves the right to refuse any pre-submission and/or application or condition any grant award based upon past

performance, outstanding grant violations or continuing capacity to carry out funded activities in a timely manner.

D. Types of Applications

1. Individual Applications

A city or county submits an individual application when the proposed activity(ies) alleviate(s) (a) problem(s) either inside or outside its jurisdiction, provided the activity(ies) will meet the needs of the jurisdiction in accordance with section 106(d)(2)(D) of the Housing and Community Development Act and 24 CFR 570.486(b).

2. Multi-Jurisdiction Applications

Cities and/or counties applying under Public Facilities or Self-Help, which share a regional project requiring participation from multi-jurisdictions and deriving a mutual benefit, may submit a multi-jurisdiction application. Cities and/or counties applying under Traditional or Non-Traditional Economic Development or Microenterprise Development sharing a mutual project requiring joint action and deriving a mutual benefit may submit a multi-jurisdiction application. A lead applicant must be named for the multi-jurisdiction application. A multi-jurisdiction application solely for administrative convenience does not adequately address a mutual problem. Applicants wishing to submit a multi-jurisdiction application must receive prior written permission from DLG. DLG reserves the right to waive the multi-jurisdiction application requirements in any county not containing an incorporated city provided the level of funding does not exceed the established multi-jurisdiction ceiling.

E. Eligible Activities

A detailed explanation of eligible activities is found in Section 5305 of the Act. Each activity must address one of the three National Objectives (Section II).

F. Amount and Split of Funds

Kentucky's 2010 Allocation (estimated)	\$27,280,472
Less Administrative Costs (3% + \$100,000)	918,414
Total Amount for Distribution	\$26,362,058

Program Areas	Total Dollars Available
Economic Development	\$6,950,000
Public Facilities	7,250,000
Housing	4,000,000
Community Projects/Renaissance	4,162,058

Community Emergency Relief Fund	750,000
Public Services (Recovery Kentucky)	2,950,000
Microenterprise	300,000

Some minor adjustment of the split of funds is possible depending on the actual number and amount requested by applicants. DLG reserves the right to make those adjustments as necessary.

The Commissioner of DLG reserves the right to adjust the amount and split of funds in case of a natural disaster based on an Emergency Declaration by the Governor. The resulting projects must meet the qualifying factors for Activities Designed to Meet Community Development Needs Having a Particular Urgency. In such instances, funding levels can be adjusted as necessary based on the extent and severity of the emergency.

G.

Grant Ceilings	Individual	Multi-Jurisdiction
Economic Development		
Traditional	\$1,000,000	\$2,000,000
Non-Traditional	500,000	
Microenterprise Development	50,000	100,000
Public Facilities	1,000,000	2,000,000
Self-Help	250,000	500,000
Housing	1,000,000	
Community Projects/Renaissance	500,000	
Community Emergency Relief Fund	100,000	
Public Services (Recovery Kentucky)		
Existing Facilities	250,000	
New Facilities	300,000	

H. **Number of Applications**

Each jurisdiction must choose whether to submit a Public Facilities, Housing or Community Project application. Only one application may be submitted per year for the three areas listed above. In addition, an applicant may submit one application in the Microenterprise Development and Public Services (Recovery Kentucky) program areas. A jurisdiction is not limited in the number of applications in the CERF and Economic Development program areas.

Only one program area may be applied for per application. DLG's written approval for a multi-jurisdictional application must be obtained and that approval must be secured prior to pre-submission and/or application.

I. **Submittal of Pre-Submissions/Applications**

Pre-Submission documents and/or applications must be submitted to:

**Department for Local Government
Office of Federal Grants
1024 Capital Center Drive, Suite 340
Frankfort, Kentucky 40601**

J. **Citizen Participation**

Citizen participation requirements must be met as part of pre-submission requirements. Program areas that do not have pre-submission requirements must meet the requirement at the time that an application is submitted. The Act requires units of local government to provide reasonable opportunities for citizen participation, hearings and access to information with respect to local community development programs. At a minimum, a community must perform the following activities:

1. Furnish citizens with information that explains the program. Prior to the public hearing, a notice must be published informing citizens that the following information is available for review:
 - a. A detailed description of the project being proposed.
 - b. Amount of CDBG funds expected to be made available, range of activities that may be undertaken and if applicable, available and/or anticipated program income.
 - c. Estimated amount of CDBG funds proposed for activities benefiting persons of low and moderate income.
 - d. Plans for minimizing displacement of persons as a result of activities assisted with CDBG funds and plans for providing assistance to those persons to be actually displaced as a result of CDBG funded activities.
 - e. Records on past use of CDBG funds.
 - f. Summary of other important program requirements.
2. Hold the first public hearing.
 - a. The main purpose of this hearing is to obtain views on housing and community development needs and review proposed activities. In addition, the hearing will review the proposed application and discuss social impacts, economic impacts, environmental impacts, project alternatives and solicit public improvements.
 - b. Advertise the hearing in accordance with state and federal laws. KRS 424.130 requires that the public hearing must be advertised at least once, not less than seven (7) nor more than twenty-one (21) days prior to the date of the hearing, in the newspaper of the largest circulation in the jurisdiction.

Pursuant to KRS 446.030, the date of the hearing is not to be included in the computation of time. Example: For a public hearing scheduled on Tuesday June 8th, the newspaper advertisement must be published no earlier than May 18th and no later than June 1st. The notice must include the local TTD number which is (800) 648-6057 or state relay TTY number which is (800) 648-6056.

- c. Undertake and document additional advertisement to reach low and moderate income persons. Such efforts could include:
 1. Distribute leaflets at neighborhood groceries, churches and community centers.
 2. Undertake door-to-door distribution announcements.
 3. Provide radio (and television if available) public service announcements for broadcast.
 - d. Inform citizens that technical assistance is available to help groups representing low and moderate income persons in developing proposals. Designate where this technical assistance may be obtained.
 - e. Hold the public hearing in a location accessible to the disabled and at a time and place convenient to potential or actual beneficiaries. The hearing must provide maximum opportunity for community input.
 - f. Arrange for interpreters for non-English speaking persons if applicable.
 - g. **A project description must be available for review seven (7) days prior to the public hearing** and the advertisement must identify where a copy of the description may be obtained.
3. Pursuant to 24 CFR 570.486(a) (6) of the CDBG Small Cities Regulations, public hearings are also necessary during the course of a project when a modification is proposed that substantially changes the original activities, whether activities are added or deleted.
 4. A second public hearing must be held prior to closeout.
 - a. The main purpose of this hearing is to review past use of funds and program performance.
 - b. Advertise the hearing in accordance with state and federal laws that the project is nearing closeout and comments from the public are invited. KRS 424.130 requires that the public hearing must be advertised at least once, not less than seven (7) nor more than twenty-one (21) days prior to the date of the hearing, in the newspaper of the largest circulation in the jurisdiction. Pursuant to KRS 446.030, the

date of the hearing is not to be included in the computation of time. The notice must include the local TTD number which is (800) 648-6057 or state relay TTY number which is (800) 648-6056.

- c. Ensure that steps are again taken concerning LMI participation, providing a time and place convenient to beneficiaries, a location accessible to the disabled and assistance to non-English speaking persons.

5. Respond to public comments.

- a. Respond in writing to all written comments received during the public hearing process.

- 1. Indicate comments were considered.
- 2. Cite reasons for rejection if applicable.
- 3. File comments and responses in the citizen participation file.

- b. Develop a complaint and grievance procedure where written complaints and grievances are answered in writing within fifteen (15) working days. Provide citizens the address, phone number and times for submitting complaints and grievances.

K. **eClearinghouse Review**

An eClearinghouse Review of potential CDBG projects must be completed prior to the pre-submission process except for Economic Development, Microenterprise and CERF projects. For Economic Development, Microenterprise and CERF projects eClearinghouse Review must be completed as part of the application process. The electronic State Clearinghouse process is required for all applicants.

L. **Standard 2010 Pre-Submission/Application Forms**

Standard 2010 forms are available at DLG or at Area Development District offices. Forms may also be downloaded from the DLG web page (www.dlg.ky.gov). A complete set of forms must be submitted and only current 2010 forms will be accepted.

M. **Site Visits/Consultations**

DLG has the option to make site visits to the project site and/or request applicants to meet with staff to discuss the application.

N. **Life of Application**

All 2010 applications, with the exception of Economic Development and CERF, not funded by June 30, 2011, are null and void.

O. **Notification**

Applicants will be notified when funding decisions have been made.

P. **Undistributed, Recaptured, Reallocated Funds and Program Income**

1. **Undistributed Funds (Remaining Funds)**

Undistributed funds are those 2010 monies that have not been obligated to a particular grantee by March 31, 2011. These funds can be from all program areas. If FY 2010 undistributed funds remain on March 31, 2011, those funds will be pooled (at this time, these undistributed funds may be obligated for use in other program areas for remaining 2010 applicants). Funds carried into the next program year will be allocated to one or more program areas and distributed in accordance with the Consolidated Plan.

2. **Recaptured Funds (Redistributed Funds)**

Recaptured funds are those monies received during the 2010 CDBG program year from the 1997 through 2010 CDBG program. These funds can be from any program area. Any CDBG funds recaptured during the 2010 CDBG program year may be allocated to one or more program areas based on need.

3. **Reallocated Funds**

Reallocated funds are those monies recaptured by HUD. Any CDBG funds reallocated by HUD during the 2010 CDBG program year will be allocated to one or more program areas and distributed in accordance with the Consolidated Plan.

4. **Program Income**

Program income is defined as gross income received by a unit of general local government or a subrecipient of a unit of general local government that was generated from the use of CDBG funds. Unless specified for use in the project from which the funds were derived, the grantee will retain these funds in a dedicated revolving fund account to be used for other eligible CDBG activities. The re-use of such funds is subject to all provisions of Title I of the Housing and Community Development Act. Program income not subject to Title I federal regulations includes the following:

- a. The total amount of funds which is less than \$25,000 received in a single year that is received by a unit of general local government and its subrecipients.
- b. Amounts generated by activities eligible under Section 5305(a)(15) of the Act and carried out by an entity under the authority of Section 5305(a)(15) of the Act.

DLG reserves the right to recapture local program income from communities that fail to adequately meet statutory, contractual or regulatory requirements. Use of program income must be approved by DLG.

Q. **HUD Section 108 Loan Guarantee Program**

The Section 108 Loan Guarantee Program allows a state to leverage up to five times its annual CDBG funds for large-scale economic development and community projects. In light of current market conditions and to encourage development in Kentucky, the Commonwealth is now considering applications from non-entitlement communities that the Commonwealth may submit to HUD on behalf of these communities for the Section 108 Loan Guarantee program. Funds borrowed using Section 108 requires a pledge of the Commonwealth's current and future CDBG allocations. CDBG rules and requirements apply. DLG has developed specific Section 108 Guidelines for non-entitlement communities that may be interested in this program. You may view these guidelines at www.dlg.ky.gov. Please contact the DLG Office of Federal Grants for more information on this program.

SECTION IV - COMMUNITY EMERGENCY RELIEF FUND (CERF)

All CERF requests must meet the following criteria:

1. The proposed project must alleviate existing conditions which pose a serious and immediate threat to the health and welfare of the community;
2. The threat must be supported by a current declaration of an emergency by the Governor relative to a flood, a tornado, an earthquake or other disaster event;
3. The conditions are of recent origin (within 18 months of the Governor's Emergency Declaration); and
4. The applicant is unable to finance the project on its own, no other funding is available to address the problem and CDBG funding will be directly targeted towards alleviation of the threatening conditions.

CERF assistance will generally not be made available to projects with public facility failures resulting from neglected maintenance by a locality.

PRE-SUBMISSION REQUIREMENTS

The following items must be submitted and approved before a CERF project application can be submitted:

1. A letter of request for assistance to DLG from the local unit of government fully describing the need for the CERF, amount of funds requested and the circumstances or details of the disaster;
2. The Certification of Community Needs Having a Particular Urgency form; and
3. A copy of the Declaration of Emergency signed by the Governor.

There is no deadline for pre-submission requirements. The request for assistance will be reviewed on a first-come, first-served basis by the Executive

Director of the Office of Federal Grants. Once it has been determined that an emergency exists that meets the national objective as prescribed in 24 CFR 570.483 (d), the community will be notified in writing that an application may be submitted.

PROJECT SELECTION PROCESS

A. Submission Dates

Complete original applications for CERF projects will be accepted from May 1, 2010, through close of business on March 31, 2011.

B. Acceptance of Applications

1. An original and one (1) copy of the standard application form must be submitted.
2. Activities described in the application will be checked to determine if they meet the fundability criteria as established in the Housing and Community Development Act.
3. The following requirements must be met, documented and submitted with the application:
 - a. The citizen participation requirements must be met as referenced in Section III.
 - b. The State Clearinghouse review forms must be submitted as referenced in Section III and the applicant must assure that it will comply with all environmental requirements promulgated in 24 CFR Part 58.
 - c. The local unit of government's Authorizing Resolution to submit the project application must be included.
 - d. For water and sewer projects all required planning documents (e.g. Wastewater Facilities Plans [WWFP] or the Kentucky Water Management Plans [KWMP]) must include or be amended to include the proposed sewer or water project. All sewer projects must have written approval from the Water Infrastructure Branch of the Division of Water (DOW).

C. CERF Project Review Criteria

For a project to obtain funding, a determination must be made regarding project need, reasonability of costs and overall project effectiveness. To make this determination the following considerations will be applied to each project:

1. Project Need

The project must substantiate and address a need that is significant to the community.

2. **Necessary and Reasonable Expenditure of CDBG Funds**
The project must substantiate that CDBG funding is necessary to meet the identified need(s), the impact of the CDBG dollars is maximized and the use of CDBG funds is reasonable. The state will determine whether all other feasible public and private funding sources have been analyzed and applied to the project.
3. **Project Effectiveness**
The project must substantiate that the project accomplishments would be significant given the need, amount of funds requested, local effort and program design.

D. **Project Review Committee**

The findings will be submitted to the review committee designated by the Governor. The committee will meet to evaluate projects based on the review criteria and staff comments. The committee will make a determination of approval, modification, rejection or deferral. Projects that do not meet all three (3) review criteria will not be funded. The committee shall have the authority to determine funding.

In the event that the local unit of government maintains a budgetary surplus to adequately fund the project, the review committee reserves the right to reject the project.

If more than one application is submitted and there are not sufficient funds to address all funding requests, the committee shall prioritize the funding distribution.

SECTION V - COMMUNITY PROJECTS

PRE-SUBMISSION REQUIREMENTS

The following pre-submission requirements must be met and documented before a Community Project application can be submitted. A complete original pre-submission with all the attachments listed below must be submitted by close of business on November 1, 2010. A partial submission will not be accepted.

1. Original and two (2) copies of the 2010 pre-submission form must be submitted and approved.
2. Authorizing Resolution to submit the project must be included. The Resolution must be signed, dated and attested.
3. The project activities must meet one of the three National Objectives as referenced in Section II.
4. Proposed activities must meet fundability criteria as established in the Housing and Community Development Act.

5. The applicant must have met the threshold requirements as referenced in Section III.
6. The citizen participation requirements must be met as referenced in Section III.
7. The eClearinghouse Review must be completed and endorsed as referenced in Section III.
8. Applicants must have determination of eligibility for listing on the National Register of Historic Places from Kentucky Heritage Council and approval from the State Historic Preservation Officer.
9. All required planning documents (e.g. Waste Water Facilities Plans [WWFP] or the Kentucky Water Management Plans [KWMP]) must include or be amended to include the proposed sewer or water project. All sewer projects must have written approval from the Water Infrastructure Branch of the Division of Water (DOW) and approval must be dated within one (1) year of submission of the pre-submission requirements.
10. Applicants proposing water treatment activities or projects that provide regional water service or connections must meet with the Water Infrastructure Branch of the DOW for approval. To arrange the meeting, contact:

Solitha Dharman, Supervisor
Engineering Section
Phone: (502)564-3410, ext. 4804

Attendees should include mayors, county judge/executives, consultants, engineers and water system operators or water system employees. A letter from the Water Infrastructure Branch documenting this meeting must be submitted as part of the pre-submission requirements.

11. The applicant must provide a letter of endorsement from the local Renaissance committee and evidence that the project activities are within the applicant's designated Renaissance area (if applicable).
12. A detailed cost estimate from a certified architect or licensed professional engineer must be included.

PROJECT SELECTION PROCESS

A. Submission Dates

Applications for Community Projects will be accepted from May 1, 2010, through close of business on December 15, 2010.

B. Acceptance of Applications

An original and two (2) copies of the standard application forms must be submitted.

Activities described in the application will be checked to determine if they meet fundability criteria as established in the Housing and Community Development Act. Applicants must have previously submitted and received notification of approval of the pre-submission requirements.

C. **Community Projects Review Criteria**

In order for a project to be funded, a determination must be made regarding project need, reasonability of costs and overall project effectiveness. To make this determination the following considerations will be applied to each project:

1. **Project Need**
The project must substantiate and address a need that is significant to the needs of the community.
2. **Necessary and Reasonable Expenditure of CDBG Funds**
The project must substantiate that CDBG funding is necessary to meet the identified need(s); the impact of CDBG dollars is maximized and the use of CDBG funds is reasonable when compared with other funding sources. The state will determine whether all other feasible public and private funding sources have been analyzed and/or applied to the project. In order to assure that funds are committed, funding commitments from public/private funding sources shall be included in the application. The commitments may be contingent on CDBG funding.
3. **Project Effectiveness**
The project must substantiate that project accomplishments would be significant given the need, amount of funds requested, local effort and program design.

D. **Project Priority**

Staff review will culminate in projects being placed in one of the following four (4) priorities:

Priority I: Applications in this category have met all program requirements and have a minimum of a 25% match of other funds.* Additionally, all other funds are firmly committed and design is complete and approved by the appropriate agency (ies).

Priority II: Applications in this category have met all program requirements and have a minimum of a 15% match of other funds.* Additionally, all other funds are firmly committed and design may not be complete.

Priority III: Applications in this category have met all program requirements However, project needs, benefits and/or community involvement are less than that needed for Priority I or II. Projects in

this category will be held until the final three months of the funding cycle and may be recommended for funding if funds are still available.

Priority IV: Applications in this category have not met all program requirements and/or the project is not recommended for funding by DLG staff.

*Match requirements are waived for Fifth (5th) and Sixth (6th) class cities. However, if other funds are required to complete project the scope for Fifth (5th) and Sixth (6th) class cities, funds must be firmly committed.

E. **Project Review Committee**

The findings will be submitted to the review committee designated by the Governor. The committee will meet to evaluate projects based on the review criteria and staff comments. The committee will make a determination of approval, rejection or deferral. Projects that do not meet all three review criteria will not be funded. In the event demand exceeds the amount of funds available, those projects with the greatest need and effectiveness will be recommended for funding.

In some situations, a project will be eligible for partial funding. In such instances, DLG will negotiate with the applicant to ascertain whether the project can be reduced in size or restructured.

SECTION VI - ECONOMIC DEVELOPMENT

The Economic Development component of the CDBG program is comprised of two segments. **Traditional Economic Development** projects are those which specifically address the creation or retention of jobs for persons of low and moderate income through the provision of assistance to specific industrial and/or business clients. **Non-Traditional Economic Development** projects are those which will allow for the funding of eligible activities benefiting low and moderate income persons that may not directly relate to job creation. Typical activities include, but are not limited to, job training and placement or other support services including peer support, counseling, child care and transportation.

PRE-SUBMISSION REQUIREMENTS

The following requirements must be met before an Economic Development application can be submitted:

1. Original and two (2) copies of the pre-submission form must be submitted.
2. Authorizing Resolution to submit the application must be included. The Resolution must be signed, dated and attested.

3. The project activities must meet one of the National Objectives as referenced in Section II.
4. Activities must meet fundability criteria as established in Title I of the Housing and Community Development Act.
5. The citizen participation requirements must be met as referenced in Section III.
6. All threshold requirements must be met as stated in Section III.
7. The eClearinghouse Review forms must be submitted as referenced in Section III and the applicant must assure that it will comply with all environmental requirements promulgated in 24 CFR Part 58.
8. For water and sewer projects all required planning documents (e.g. Wastewater Facilities Plans [WWFP] or the Kentucky Water Management Plan [KWMP]) must include or be amended to include the proposed sewer or water project. All sewer projects must have written approval from the Water Infrastructure Branch of the Division of Water (DOW). The planning approval letter from DOW must be dated within one (1) year of submission of the pre-submission requirements.
9. Applicant proposing water treatment activities or projects that provide regional water service or connections must meet with the Water Infrastructure Branch of the DOW for approval. To arrange the meeting, contact:

Solitha Dharman, Supervisor
 Engineering Section
 Phone: 502/564-3410, ext. 4804

Attendees should include mayors, county judge/executives, consultants, engineers and water system operators or water system employees. A letter from the Water Infrastructure Branch documenting this meeting must be submitted as part of the pre-submission requirements.

10. Applicant must provide a letter from the participating party assuring:
 - Commitment of permanent full time employment, either created or retained (as applicable), and assurance of compliance with the Low and Moderate Income National Objective.
 - Compliance with all environmental requirements promulgated in 24 CFR Part 58 for any non-exempt activity and further indicating that no obligation of funds will occur prior to DLG's environmental clearance.
 - Commitment of participating party's investment.

PROJECT SELECTION PROCESS

A. Submission Dates

Applications for Economic Development projects will be accepted from May 1, 2010, through close of business on March 31, 2011.

B. Acceptance of Applications

1. A complete original and two (2) copies of the standard application forms must be submitted. Supplemental pages are necessary for Non-Traditional applications and are included with the standard forms. Additional material may be requested by DLG.
2. If an application is incomplete, the applicant will be notified and will be given a specified timeframe from notification to submit any missing information.
3. Activities described in the application will be checked for eligibility and to determine if they meet a national objective (see Section II). Ineligible activities will not be reviewed.
Activities described in the application will be checked to determine if they meet fundability criteria as established in the Housing and Community Development Act.
Activities described in the application will be checked to determine if they meet Public Benefit requirements as required by the CDBG Small Cities Regulations at 24 CFR 570.482(e).

C. Economic Development Proposals Requesting Assistance Under 5305(a)(14)

Applicants may request grants for activities that are carried out by public and private non-profit entities. The activities include, but are not limited to, the acquisition of real property; the acquisition, construction, reconstruction or installation of both public facilities improvement and utilities; and business or industrial buildings or real property improvements. Such activities are eligible under Section 5305(a)(14) of the Act.

D. Economic Development Proposals Requesting Assistance Under 5305(a)(15)

Applicants requesting assistance for non-profit organizations under Section 5305 (a)(15) of the Act must assure that the community economic development project includes activities that increase economic opportunity, principally for persons of low and moderate income or that stimulate or retain permanent jobs. Recipients can use CDBG funds for grants or loans to non-profit organizations for the purpose of promoting economic development. Recapture generated by activities eligible under Section 5305(a)(15) of the Act may not be subject to program income requirements as specified in Section 570.489 of the regulations.

E. **Economic Development Proposals Requesting Assistance Under 5305(a)(17)**

Applicants requesting assistance to private for-profit organizations under Section 5305(a)(17) of the Housing and Community Development Act must include a specific "appropriate" analysis. The purpose of this analysis is to determine the extent of need of the for-profit business for CDBG assistance and the amount of assistance to be provided in comparison to the public benefit that is expected as a result of such assistance. The review must include a financial analysis and discussion of the extent of public benefit. The applicant must not negotiate the loan rate and term prior to conducting the appropriate review. These items will be determined based on a financial analysis of the company.

The analysis will include but not be limited to the following steps:

1. Determination of project type.
2. Evaluation of the proposed project costs.
3. Verification and maximization of private funding sources.
4. Determination of need for CDBG assistance.
This criterion will include review of the financing or collateral gap, rate of return and locational factors as applicable.
5. Determination of amount of CDBG assistance.
6. Determination of rate and term of CDBG assistance.
7. Assessment of public benefit.

While there are no set standards for public benefit, discussions might include: the number and type of jobs to be made available, the number of LMI persons, other persons who are likely to be employed or retained for employment, the other development likely to be stimulated, increases to the tax base or increases in needed services which will result from the project.

F. **Economic Development Projects Review Criteria**

Both Traditional and Non-Traditional Economic Development applications will be reviewed under criteria developed for that particular application type. In order for a project to be funded, a determination must be made that CDBG funds are needed to accomplish the project and the amount of funds requested is reasonable relative to job creation where applicable and other funding associated with the project. To make this determination, the following criteria will be reviewed:

1. **Permanent Jobs Created/Retained/Available**
Traditional Economic Development projects must create or retain jobs. Non-Traditional Economic Development projects can create or retain jobs or can qualify as noted below. When job creation/retention is claimed, no funds will be obligated without an assurance by the project's beneficiary (e.g. developer, industry,

employer, etc.) that permanent full time/equivalent employment will occur as a result of CDBG expenditure. The beneficiary will provide the applicant a statement of:

- a. Documentation of number, type and salary range of permanent jobs to be created or retained over a two year period;
- b. Documentation to support LMI characteristics of the retained workforce, imminent loss of existing jobs and that jobs can reasonably be expected to be filled by LMI persons;
- c. Documentation to support that existing non-LMI jobs may be considered available to LMI persons, if vacated; and
- d. Acceptance of the applicable LMI hiring requirement.

The number of jobs being committed must be reasonable in relation to the amount of the CDBG request. Permanent full time/equivalent jobs are calculated on a basis of 2000 hours per year.

2. **The Ratio of Other Public/Private Funds to CDBG Funds**

The impact of CDBG dollars must be maximized and the use of CDBG funds reasonable when compared with other funding sources. The applicant must demonstrate that all other feasible public/private funding sources have been analyzed and/or applied to the project. In order to assure that funds are secured, funding commitments from public/private funding sources shall be included with the project application. The commitments may be contingent on CDBG funding. Applications will be analyzed with respect to the use and/or potential use of recaptured funds by the applicant and/or its agent from any prior Economic Development project(s). All applicants will be required to complete a Repayment Report as part of the application. DLG reserves the right to reduce an applicant's request as appropriate based on the cash balance on hand and/or the projected revenue to be earned from a previous grant(s). If an applicant feels that such an action is inappropriate, it must justify its rationale. Recaptured funds originating from CDBG Economic Development projects, not falling under the category of program income, will also be evaluated to confirm the efficient and effective use of the funds.

3. **Applicability of Recaptured Funds**

Recaptured funds and any related earnings from CDBG Economic Development projects are retained by the recipient or designated subrecipient. These funds must be used for eligible CDBG activities (See Appendix A). The recipient must propose the method of

collection, identify the potential activities to be funded and designate the subrecipient(s) responsible for collection, accounting and disbursement. Use of program income must be approved by DLG.

G. **Additional Non-Traditional Review Criteria**

1. **Project Need**

The project must substantiate and address a need that is significant to the economic development efforts of the community. Relevant demographic information including unemployment rate, per capita income and poverty level are important factors for consideration.

2. **Necessary and Reasonable Expenditure of CDBG Funds**

The project must substantiate that CDBG funding is necessary to meet the identified need(s), the impact of CDBG dollars is maximized and the use of CDBG funds is reasonable when compared with other funding sources.

3. **Project Effectiveness**

The application must substantiate that project accomplishments would be significant given the need, amount of funds requested, local effort and program design. If the project does not propose the creation/retention of permanent full time/equivalent employment, the applicant must identify the proposed beneficiaries and identify which section of the Act determines eligibility.

4. **Low and Moderate Income Qualification**

Non-Traditional Economic Development projects which do not use job creation as the basis for meeting a national objective may qualify the project through direct survey of the people served or under the Aggregate Standards or Limited Clientele provisions of the regulations. The applicant must identify the method used to qualify the project.

H. **Economic Development Project Review Process**

Review of Economic Development applications is a two-part process involving preliminary staff review followed by consideration of the review committee.

1. **Application Preliminary Review**

When documentation from the applicant is complete, DLG staff will conduct their review utilizing the underwriting guidelines contained in Section 570.482 (e), Guidelines and Objectives for Evaluating Project Costs and Financial Requirements, contained in the HUD Small Cities Guidelines. Staff will present the application to the review committee for its consideration and recommendation for funding.

An "appropriate" determination will be completed for all projects proposed under Section 5305(a)(17) prior to submission to the review committee.

In order for a Non-Traditional Economic Development project to be funded, a determination must be made regarding project need, reasonability of costs and overall project effectiveness.

2. **Project Priority**

Staff review will culminate in projects being placed in one of three (3) priorities:

Priority I: Applications in this category have met all program requirements, exhibit serious economic development need, maximize the impact of CDBG funds and substantiate significant proposed accomplishments.

Priority II: Applications in this category have met all program requirements and are fundable projects. Priority II applications can be funded by the committee or deferred if appropriate.

Priority III: Applications in this category are ineligible, unfundable or do not meet a national objective.

3. **Project Review Committee**

Staff findings will be submitted to the review committee designated by the Governor. The committee will meet to evaluate projects based on the review criteria and staff comments. The committee will make a determination of approval, rejection or deferral. Projects that do not meet all three of the review criteria will not be funded. In the event that demand exceeds amount of funds available, those projects with the greatest need and effectiveness will be recommended for funding.

I. **Negotiation**

In some situations, a project will be eligible for partial funding or a change in loan rate and term. In such instances, DLG may negotiate with the applicant to ascertain whether the project can be reduced in size or restructured financially.

J. **Life of Application**

DLG reserves the right to defer a project application into a subsequent funding round due to insufficient funds availability. A new application is not necessary.

K. **Applicant Appeals**

Applicants may request a second review of their application by the review committee by submitting a letter of appeal to the Commissioner of DLG within ten (10) business days after receiving written notice of committee action.

SECTION VII - HOUSING PROJECTS

PRE-SUBMISSION REQUIREMENTS

The following pre-submission requirements must be met and documented before a Housing application can be submitted. A complete original pre-submission with all the attachments listed below must be submitted by close of business on November 1, 2010. A partial submission will not be accepted.

1. Original and two (2) copies of the 2010 pre-submission form must be submitted and approved.
2. Authorizing Resolution to submit the project must be included. The Resolution must be signed, dated and attested.
3. The project activities must meet one of the three National Objectives as referenced in Section II.
4. Proposed activities must meet fundability criteria as established in the Housing and Community Development Act.
5. The applicant must have met threshold requirements as referenced in Section III.
6. The citizen participation requirements must be met as referenced in Section III.
7. The eClearinghouse review must be completed and endorsed as referenced in Section III. Housing applicants must complete the Housing Assistance form. It is a required document for Clearinghouse approval and can be found on DLG's website.
8. Applicant must have a determination of eligibility for listing on the National Register of Historic Places from Kentucky Heritage Council and approval from the State Historic Preservation Officer.
9. All Housing projects with public facilities activities require that all planning documents (e.g. Wastewater Facilities Plans [WWFP] or the Kentucky Water Management Plan [KWMP]) must include or be amended to include the proposed sewer or water project. All sewer projects must have written approval of the WWFP from the Water Infrastructure Branch of the Division of Water (DOW) and approval must be dated within one (1) year of submission of the pre-submission requirements.
10. Applicants proposing water treatment activities or projects that provide regional water service or connections must meet with the Water Infrastructure Branch of the DOW for approval prior to application submission. To arrange the meeting, contact:

Solitha Dharman, Supervisor
Engineering Section
Phone: (502)564-3410, ext. 4804

Attendees should include mayors, county judge/executives, consultants, engineers and water system operators or water system employees. A letter from the Water Infrastructure Branch documenting this meeting must be submitted as part of the pre-submission requirements.

11. Applicants proposing to include septic systems in a project must provide written notification to the local health department listing each structure receiving a new or upgraded septic system.
12. Applicants must include a listing of all potential households, identify the property owners for each property that will be acquired (including heirs of properties in an estate) and denote any problems anticipated in locating these owners.
13. For involuntary housing applications (i.e. site specific), Uniform Relocation Act (URA) requirements must be met. Please provide evidence of preliminary compliance for both occupied and vacant properties. Involuntary housing applications that are part of a neighborhood revitalization project must be in compliance with KRS Chapter 99 and provide documentation to substantiate compliance.
14. For voluntary housing applications, applicant must provide proof of the publication of the announcement of the housing rehabilitation program (that includes funding availability, that the power of eminent domain will not be used and the rating and ranking criteria for beneficiary selection), household surveys and the adopted Temporary Relocation Policy (if applicable).
15. Applicants must provide documentation to substantiate that they have discussed conflict of interest provisions with the governing body and possible recipients.
16. A detailed housing estimate from a certified architect or licensed professional engineer.

PROJECT SELECTION PROCESS

A. **Submission Dates**

Applications for Housing projects will be accepted from May 1, 2010, through close of business on December 15, 2010.

B. **Acceptance of Applications**

1. An original and two (2) copies of the standard application forms must be submitted.

2. Activities described in the application will be checked to determine if they meet fundability criteria as established in the Housing and Community Development Act.
3. Applicants must have previously submitted and received notification of approval of the pre-submission requirements.

C. **Housing Projects Review Criteria**

For a project to be funded, a determination must be made regarding need, reasonability of costs and overall effectiveness. To make this determination the following considerations will be applied to each project:

1. **Project Need**

The project must substantiate and address a need that is significant to the housing needs of the community (e.g., major and serious dilapidation, deterioration or inadequacy of housing stock and/or public facilities).

2. **Necessary and Reasonable Expenditure of CDBG Funds**

The project must substantiate that CDBG funding is necessary to meet the identified need(s), the impact of CDBG dollars is maximized and the use of CDBG funds is reasonable when compared with other funding sources. DLG will determine whether all other feasible public and private funding sources have been analyzed and/or applied to the project. In order to assure that funds are committed, funding commitments from public/private funding sources shall be included in the application. The commitments may be contingent on CDBG funding.

Any Program Income earnings from CDBG Housing projects retained by the recipient or designated subrecipient must be used for eligible CDBG activities. The recipient must propose the method of collection, identify the potential activities to be funded and designate the recipient(s) responsible for collection, accounting and disbursement.

3. **Project Effectiveness**

The project must substantiate that project accomplishments would be significant given the need, amount of funds requested, local effort and program design.

D. **Project Priority**

Staff review will culminate in projects being placed in one of the following three (3) priorities:

Priority I: Applications in this category have met all program requirements, exhibit serious housing (including water or sewer) needs, substantiate significant project accomplishments and maximize the impact of CDBG funds. This includes the level of

CDBG funds applied to housing units versus CDBG funds applied to public facilities activities within the overall housing project.

Priority II: Applications in this category have met all program requirements and are fundable projects. However, project needs, accomplishments and impact of CDBG funds and/or benefits are less acceptable. This includes the level of CDBG funds applied to housing units versus CDBG funds applied to public facilities activities within the overall housing project.

Priority III: Applications in this category have serious deficiencies, are ineligible or not fundable.

E. **Project Review Committee**

The findings will be submitted to the review committee designated by the Governor. The committee will meet to evaluate projects based on the review criteria and staff comments. The committee will make a determination of approval, rejection or deferral. Projects that do not meet all three of the review criteria will not be funded. In the event demand exceeds amount of funds available, those projects with the greatest need and effectiveness will be recommended for funding.

In some situations, a project will be eligible for partial funding. In such instances, DLG will negotiate with the applicant to ascertain whether the project can be reduced in size or restructured.

SECTION VIII - MICROENTERPRISE DEVELOPMENT

PROJECT SELECTION PROCESS

A. **Program Structure**

The Microenterprise Development component of the CDBG program is designed to assist in the building of capacity of local communities and community based organizations in developing and supporting microbusinesses. Microenterprise Development is defined as a commercial enterprise that has five or fewer employees, one or more of whom owns the venture. Section 5305(a)(22) of the Act defines the eligibility components for the use of CDBG funds for this endeavor. Grants must be made to a city or county. Applicants must demonstrate how it will deliver services to its LMI clients. Applicants must clearly define their service area and describe in detail what service(s) will be provided, how they will target LMI entrepreneurs and how they plan to measure benefits provided. Eligible applicants must exhibit the ability to capitalize a microenterprise loan pool from CDBG or other revenue sources as applicable.

B. **Submission Dates**

Applications for Microenterprise Development projects will be accepted from May 1, 2010, through close of business on December 15, 2010.

C. **Acceptance of Applications**

1. A complete original and two (2) copies of the standard application forms must be submitted. Supplemental pages are necessary for Microenterprise Development applications and are included with the standard forms. Additional materials may be requested by the state.
2. Citizen participation requirements in Section III must be met before the application is submitted. A tear sheet of the public hearing advertisement(s) and minutes of the hearing(s) including a list of attendees must be submitted with the application.
3. If applications are incomplete, the applicant will be notified and given a specified timeframe to submit the missing information.
4. Activities described in the application will be checked for eligibility to determine if they meet a national objective (see Section II). Ineligible activities will not be reviewed.
5. Activities described in the application will be checked to determine if they meet fundability criteria as established in the Housing and Community Development Act.

D. **Microenterprise Development Proposals Requesting Assistance Under 5305(a)(22)**

As defined, CDBG funds can be utilized for the provision of assistance to public and private organizations, agencies and other entities (including nonprofit and for-profit entities) to enable such entities to facilitate economic development by: (a) providing credit (including providing direct loans and loan guarantees, establishing revolving loan funds and facilitating peer lending programs) for the establishment, stabilization and expansion of microenterprises; (b) providing technical assistance, advice and business support services (including assistance, advice and support relating to developing business plans, securing funding, conducting marketing and otherwise engaging in microenterprise activities) to LMI owners of microenterprises and LMI persons developing microenterprises; and (c) providing general support (such as peer support programs and counseling) to LMI owners of microenterprises and LMI persons developing microenterprises.

E. **Microenterprise Development Review Criteria**

For a project to be funded, a determination must be made that CDBG funds are needed to accomplish the project and the amount of funds requested is reasonable relative to microbusiness growth potential and other funding associated with the project.

1. **Project Need**
The project must substantiate and address a need that is significant to the economic development efforts of the community. Relevant demographic information including unemployment rate, per capita income and poverty level are important factors for consideration.
2. **Necessary and Reasonable Expenditure of CDBG Funds**
The project must substantiate that CDBG funding is necessary to meet the identified need(s), the impact of CDBG dollars is maximized and the use of CDBG funds is reasonable when compared with other funding sources.
3. **Project Effectiveness**
The application must substantiate that project accomplishments would be significant given the need, amount of funds requested, local effort and program design. The applicant must identify the proposed beneficiaries and identify which section of the Act determines eligibility.

F. **Microenterprise Development Project Review Process**

For a Microenterprise Development project to be funded, a determination must be made regarding project need, reasonability of costs and overall project effectiveness.

1. **Project Priority**

DLG staff review will culminate in projects being placed in one of the following three (3) priorities:

Priority I: Applications in this category have met all program requirements, exhibit serious economic development need, maximize the impact of CDBG funds and substantiate significant proposed accomplishments.

Priority II: Applications in this category have met all program requirements and are fundable projects. Priority II applications can be funded by the committee or deferred if appropriate.

Priority III: Applications in this category are ineligible, unfundable or do not meet a national objective.

2. **Project Review Committee**

Staff findings will be submitted to the review committee designated by the Governor. The committee will meet to evaluate projects based on the review criteria and staff comments. The committee will make a determination of approval, rejection or deferral. Projects that do not meet all three of the review criteria will not be funded. In the event that demand

exceeds amount of funds available, those projects with the greatest need and effectiveness will be selected for funding.

In some situations, a project may be eligible for partial funding. In such instances, DLG may negotiate with the applicant to ascertain whether the project can be reduced in size or restructured.

G. **Applicant Appeals**

Applicants may request a second review of their application by the committee by submitting a letter of appeal to the Commissioner of DLG within ten (10) business days after receiving written notice of committee action.

SECTION IX - PUBLIC FACILITIES

PRE-SUBMISSION REQUIREMENTS

The following pre-submission requirements must be met and documented before a Public Facilities application can be submitted. A complete original pre-submission with all the attachments listed below must be submitted by close of business on November 1, 2010. A partial submission will not be accepted.

1. Original and three (3) copies of the 2010 pre-submission form must be submitted and approved.
2. The Kentucky Drinking Water/Wastewater Project Profile (WRIS) must be electronically submitted to the Kentucky Infrastructure Authority. Please ensure information matches the information in the pre-submission and the application forms.
3. Authorizing Resolution to submit the application must be included. The Resolution must be signed by the mayor or county judge/executive, dated and attested.
4. The project activities must meet one of the National Objectives as referenced in Section II.
5. Activities must meet fundability criteria as established in the Housing and Community Development Act.
6. The citizen participation requirements must be met as referenced in Section III.
7. The applicant must have met all threshold requirements as referenced in Section III.
8. The eClearinghouse Review must be completed and endorsed as referenced in Section III.
9. All required planning documents (e.g. Waste Water Facilities Plans [WWFP] or Kentucky Water Management Plans [KWMP]) must include or be amended to include the proposed sewer or water project. All sewer projects must have written approval of the WWFP from the Water Infrastructure Branch of the Division of Water

(DOW) and approval must be dated within one (1) year of submission of the pre-submission requirements.

10. Applicants proposing water treatment activities or projects that provide regional water service or connections must meet with the Water Infrastructure Branch of the DOW for approval. To arrange the meeting, contact:

Solitha Dharman, Supervisor
Engineering Section
Phone: (502)564-3410, ext. 4804

Attendees should include mayors, county judge/executives, consultants, engineers and water system operators or water system employees. A letter from the Water Infrastructure Branch documenting this meeting must be submitted as part of the pre-submission requirements.

11. Applicants proposing waterline extensions must identify areas for service that have a minimum average of six (6) customers per mile. This does not apply to Self-Help Public Facilities projects.
12. A detailed cost estimate provided by a licensed professional engineer.

PROJECT SELECTION PROCESS

A. Submission Dates

Applications for Public Facility projects will be accepted from May 1, 2010, through close of business on December 15, 2010.

B. Acceptance of Applications

1. An original and two (2) copies of the standard application forms must be submitted.
2. Activities described in the application will be checked to determine if they meet fundability criteria as established in the Housing and Community Development Act.
3. Applicants must have previously submitted and received notification of approval of the pre-submission requirements.

C. Public Facilities Review Criteria

In order for a project to be funded, a determination must be made regarding project need, reasonability of costs and overall project effectiveness. To make this determination the following considerations will be applied to each project:

1. Project Need

The applicant must substantiate that the project addresses a need that is significant to the infrastructure needs of the community.

2. **Necessary and Reasonable Expenditure of CDBG Funds**
The applicant must substantiate that CDBG funding is necessary to meet the identified need(s); the impact of CDBG dollars is maximized and the use of CDBG funds is reasonable when compared with other funding sources. The state will determine whether all other feasible public and private funding sources have been analyzed and/or applied to the project. In order to assure that funds are committed, funding commitments from public/private funding sources shall be included in the application. The commitments may be contingent on CDBG funding.
3. **Project Effectiveness**
The applicant must substantiate that project accomplishments would be significant given the need, amount of funds requested, local effort and program design.

D. **Project Priority**

Staff review will culminate in projects being placed in one of the following four (4) priorities:

Priority I: Applications in this category have met all program requirements, have project needs and/or benefits which are significant, have a minimum of one-to-one match of other funds and all other funds are firmly committed, engineering design is completed and approved by DOW. Regionalization issues are addressed where feasible.

Priority II: Applications in this category have met all program requirements, have project needs and/or benefits which are moderate or better, have a minimum of one-to-one match of other funds, all other funds may not have been committed and/or engineering design may not have been completed. Regionalization issues are addressed where feasible.

Priority III: Applications in this category have met all program requirements, have project needs and/or benefits which are less acceptable and/or have less than a one to one match. This includes water and sewer line extension projects with costs greater than \$10,000 per customer. Communities with combined current water and sewer rate less than \$36 per month, a current water rate less than \$18 per month or a sewer rate less than \$18 for 4,000 gallons of water use, will be considered a Priority III project. Projects in this category will be held until the final three months of the funding cycle and may be recommended for funding if funds are still available.

Priority IV: Applications in this category may not have met all program requirements and the project is not recommended for funding due to one or more serious deficiencies.

E. **Public Facilities Self-Help Review Criteria**

The total amount for Self-Help projects (which is derived from the Public Facility allocation) will not exceed one million dollars. In order for a Self-Help project to be funded, a determination must be made regarding project need, reasonability of costs and overall project effectiveness. To make this determination, the following considerations will be applied to each project:

1. **Project Need**

The applicant must substantiate that the project addresses a deficiency in public facilities and/or document health and safety needs which affect the community.

2. **Necessary and Reasonable Expenditure of CDBG Funds**

The applicant must substantiate that CDBG funding is necessary to meet the identified need(s), the impact of CDBG dollars is maximized and the use of CDBG funds are reasonable. Documentation of funding commitment letters from the other funding sources must be included in the application. The other funding commitments may be contingent on CDBG funding.

3. **Project Effectiveness**

The applicant must substantiate that accomplishments would be significant given the need, amount of funds requested, local effort and program design. Communities must demonstrate their commitment of local resources (volunteer labor, all necessary financing, construction equipment, etc.) and the ability to complete the project within 24 months. Projects must be included in and prioritized by the Kentucky Water Management Plan created pursuant to KRS Chapter 151A to receive a grant offer.

F. **Self-Help Project Priority**

Projects will be placed in one of four (4) priorities:

Priority I: Applications in this category have met all program requirements, all other funds are firmly committed and engineering design is completed and approved by DOW. Application exhibits serious Public Facilities needs, maximizes the impact of CDBG funds and substantiates significant project accomplishments. Regionalization issues are addressed where feasible.

Priority II: Applications in this category have met all program requirements, all other funds may not have been committed and/or

engineering design may not have been completed. Regionalization issues are addressed where feasible.

Priority III: Applications in this category have met all program requirements; however, project needs and/or benefits are less acceptable. Projects in this category will be held until the final three months of the funding cycle and could be recommended for funding if funds are still available.

Priority IV: Applications in this category may not have met all program requirements and the project is not recommended for funding due to one or more serious deficiencies.

G. **Project Review Committee**

The staff findings will be submitted to the review committee designated by the Governor. The committee will meet to evaluate projects based on the review criteria and staff comments. The committee will make a determination of approval, rejection or deferral. Projects that do not meet all three of the review criteria will not be funded. In the event that demand exceeds amount of funds available, those projects with the greatest need and effectiveness will be recommended for funding.

In some situations, a project may be eligible for partial funding. In such instances, DLG may negotiate with the applicant to ascertain whether the project can be reduced in size or restructured.

H. **Negotiations**

DLG reserves the right to negotiate funding amounts and payment schedules with certain Priority II and III applicants. Negotiations may be appropriate for, but not limited to, situations such as demand exceeding amount of funds available and the existence of project readiness issues. Such negotiations may result in the award of a planning or preconstruction grant with conditional commitment of construction financing in future program years.

SECTION X - PUBLIC SERVICES

CDBG Public Service funds, in the form of operational costs to support the Recovery Kentucky Program, will be made available in 2010 to existing and new Recovery Kentucky Substance Abuse Centers serving individuals who have a history of substance abuse, with an emphasis on the homeless, those at risk of becoming homeless and those referred by the judicial system.

SUBMISSION REQUIREMENTS

The following requirements must be met and documented as part of the Public Services application.

1. **Authorizing Resolution to submit the project must be included. The Resolution must be signed, dated and attested.**
2. **The project activities must meet one of the three National Objectives as referenced in Section II.**
3. **Proposed activities must meet fundability criteria as established in the Housing and Community Development Act.**
4. **The citizen participation requirements must be met as referenced in Section III.**
5. **The eClearinghouse Review must be completed and endorsed as referenced in Section III.**

PROJECT SELECTION PROCESS

A. Submission Dates

Applications for Public Service projects will be accepted from May 1, 2010, through close of business on March 31, 2011.

B. Acceptance of Applications

1. An original of the standard application form must be submitted.
2. Activities described in the application will be checked to determine if they meet fundability criteria as established in the Housing and Community Development Act.

C. Public Services Review Criteria

In order for a project to be funded, a determination must be made regarding project need, reasonability of costs and overall project effectiveness. To make this determination the following considerations will be applied to each project:

1. **Project Need**
The project must substantiate and address a need that is significant to the needs of the community.
2. **Necessary and Reasonable Expenditure of CDBG Funds**
The project must substantiate that CDBG funding is necessary to meet the identified need(s). The impact of CDBG dollars is maximized and the use of CDBG funds is reasonable when compared with other funding sources. The state will determine whether all other feasible public and private funding sources have been analyzed and/or applied to the project. In order to assure that funds are committed, funding commitments from public/private funding sources shall be included in the application. The commitments may be contingent on CDBG funding.

3. **Project Effectiveness**

The project must substantiate that project accomplishments would be significant given the need, amount of funds requested, local effort and program design.

D. **Project Priority**

Staff review will culminate in projects being placed in one of the following three (3) priorities:

Priority I: Applications in this category are applying for operational funding for an existing Recovery Kentucky Center. Additionally, the applicant has a proven track record in fiscal responsibility and is successfully implementing the Recovery Kentucky program model that includes peer support, daily living skills training, job responsibilities and practical living experiences.

New project applications in this category have met all program requirements and have a minimum of a 25% match of other funds.* Additionally, all other funds are firmly committed and design is complete.

Priority II: Applications in this category are applying for operational funding for an existing Recovery Kentucky Center. The applicant does not have a proven track record in fiscal responsibility but is successfully implementing the Recovery Kentucky program model that includes peer support, daily living skills training, job responsibilities and practical living experiences.

New project applications in this category have met all program requirements and have a minimum of a 15% match of other funds.* Additionally, all other funds are firmly committed and design may not be complete.

Priority III: Applications in this category are applying for operational funding for an existing Recovery Kentucky Center. The applicant does not have a proven track record in fiscal responsibility and is not successfully implementing the Recovery Kentucky program model that includes peer support, daily living skills training, job responsibilities and practical living experiences.

New project applications in this category have met all program requirements; however, project needs, benefits and community involvement are less than that needed for Priority I or II.

Priority IV: Applications in this category have not met all program requirements and/or the project is not recommended for funding.

*Match requirements are waived for Fifth (5th) and Sixth (6th) class cities.

E. **Project Review Committee**

The staff findings will be submitted to the review committee designated by the Governor. The committee will meet to evaluate projects based on the review criteria and staff comments. The committee will make a determination of approval, rejection or deferral. Projects that do not meet all three of the review criteria will not be funded. In the event that demand exceeds amount of funds available, those projects with the greatest need and effectiveness will be recommended for funding.

In some situations, a project may be eligible for partial funding. In such instances, DLG may negotiate with the applicant to ascertain whether the project can be reduced in size or restructured.

SECTION XI - PERFORMANCE MEASUREMENT SYSTEM

A Performance Measurement Outcome System has been established by HUD as a standardized framework to gather information, measure program results and quantify the benefit of these programs to low and moderate income families and communities. The programs that are covered by this framework are:

CDBG (Community Development Block Grant)

HOME (Home Investment Partnership Act)

ESG (Emergency Shelter Grant)

HOPWA (Housing Opportunities for Persons with AIDS Program)

HUD has implemented Performance Measures through the Integrated Disbursement and Information System (IDIS) system [prior to the signing of the Grant Agreement]. Recipients must acknowledge that they will be required to submit performance measure information to DLG in order to meet this reporting requirement. As part of this process, each recipient will be required to complete a Performance Measurement Form annually.

There are three main components of the Performance Measurement System: Objectives, Outcomes and Indicators. Each component relates to a project activity. The first step will be for the recipient to select one of three objectives related to the type of activity, funding source and goal/program intent.

Objectives include:

- Suitable Living Environment
- Decent Housing
- Economic Opportunity

The next step will be for the recipient to select an outcome based upon the purpose of the activity.

Outcomes include:

- Improved Availability/Accessibility
- Improved Affordability
- Improved Sustainability

In addition to selecting an objective and outcome for each project activity, certain indicators will be required to be identified and quantified. These indicators vary by program area (CERF, Community Projects, Economic Development, Housing, Microenterprise Development and Public Facilities). Sample Performance Measurement Forms for each of the program areas are included in Appendix E of the CDBG Guidelines. Grantees are encouraged to review the forms when considering overall project design, reporting requirements and implementation. Each grantee will also be responsible for submitting annual performance measure reports to DLG.

PERFORMANCE MEASURES DEFINITIONS

The following definitions should be used when choosing Performance Measure Objectives and Outcomes:

Objectives:

Suitable Living Environment. In general, this objective relates to activities that are designed to benefit communities, families or individuals by addressing issues in their living environment.

Decent Housing. The activities that typically would be found under this objective are designed to cover the wide range of housing possibilities under CDBG. This objective focuses on housing programs where the purpose of the program is to meet individual family or community needs and not programs where housing is an element of a larger effort (such as described above under Suitable Living Environment).

Economic Opportunities. This objective applies to the types of activities related to economic development, commercial revitalization or job creation.

Outcomes:

Availability/Accessibility. This outcome category applies to certain activities that make services, infrastructure, housing or shelter available or accessible to low and moderate income people, including persons with disabilities. In this category, accessibility does not refer only to physical barriers, but also to making the affordable basics of daily living available and accessible to low and moderate income people.

Affordability. This outcome category applies to activities that provide affordability in a variety of ways in the lives of low and moderate income people. It can include the creation and maintenance of affordable housing, basic infrastructure hook-ups or services such as transportation or day care.

Sustainability: Promoting Livable or Viable Communities. This outcome applies to projects where the activity or activities are aimed at improving communities or neighborhoods, helping to make them livable or viable by providing benefit to persons of low and moderate income or by removing or eliminating slums or blighted areas, through multiple activities or services that sustain communities or neighborhoods.

Section 108 Loan fund resources provide an added opportunity for the use of CDBG funding that can address long term needs of the Commonwealth by providing the opportunity to leverage the annual revenues of the program. Having the availability of five times the annual CDBG allocation, currently \$27 million, would allow the state to initiate large-scale initiatives to address economic development needs. Additionally, funds from this program can be used to address housing needs and public facilities concerns. The program requires that the proposed project be properly underwritten and exhibits the ability to provide an income stream sufficient to meet the debt requirements of the obligation. In addition to the security or collateral provided by the project, the state has the ability to utilize future CDBG allocations as backup collateral for the debt service of the loan.

KENTUCKY SECTION 108 LOAN GUARANTEE PROGRAM

SECTION 108

SECTION I - PROGRAM PURPOSE

The Kentucky Department for Local Government (DLG) is the state agency designated to administer Section 108 loan guarantees, a program of the U.S. Department of Housing and Urban Development (HUD).

The Commonwealth of Kentucky receives an annual federal allocation of funds under the Community Development Block Grant (CDBG) Program. In accordance with the federal regulations found in 24 CFR 570.710, Subpart M, a state may develop procedures and requirements to assist federal non-entitlement cities and counties to apply for assistance from the HUD Section 108 Loan Guarantee Program. The Section 108 loan program provides an additional source of funds to address significant economic development and community projects which have a regional or statewide impact.

Projects funded with Section 108 guaranteed loan funds must comply with all federal requirements that apply to the CDBG Program (i.e. National Environmental Polices Act, Federal Labor Standards Act including Davis Bacon, Uniform Relocation Assistance and Real Property Acquisition Act, OMB Circular A-133 and the Civil Rights Act).

NOTE: These guidelines are not applicable to federal entitlement communities that receive CDBG funds directly from HUD. These communities will apply directly to HUD for Section 108 loan funds.

SECTION II - NATIONAL OBJECTIVES

Each activity funded under the HUD Section 108 Loan Guarantee Program must meet at least one of the three National Objectives identified in Title I of the Housing and Community Development Act of 1974 as amended in 1983, 1987 and 1992, hereafter referred to as the Act, Section 104(b) (3), and regulations contained in the 24 Code of Federal Regulations (CFR) Section 570.483. The three objectives are:

1. Benefit to low and moderate income persons;
2. Prevention or elimination of slums or blight; and
3. Meeting community development needs having a particular urgency.

The applicant is responsible for selecting and documenting how each activity addresses a National Objective. The Act identifies as a primary objective the "... development of viable urban communities by providing decent housing and suitable living environment and expanding economic opportunities, principally for persons of low and moderate income..." The Commonwealth is required to assure that not less than 70% of the aggregate of the federal assistance received by the State as CDBG grant funds and Section 108 guaranteed loan funds shall be used for the support of activities that benefit persons of low and moderate income.

Explanations of the objectives and required documentation are set forth in Appendix A.

SECTION III - GENERAL INFORMATION FOR APPLICANTS

A. **Eligible Applicants**

All cities and counties in Kentucky are eligible for participation in the Kentucky Section 108 loan program with the exception of the following federal entitlement jurisdictions: Ashland, Bowling Green, Covington, Elizabethtown, Henderson, Hopkinsville, Owensboro, Lexington/Fayette Urban County government and Louisville/Jefferson County metro government. These communities must apply directly to HUD for Section 108 loan funds. The Commonwealth does reserve the right to fund a project in an entitlement area of the state only if it can be proven that it accrues direct benefit to a federal non-entitlement area.

DLG will exercise the authority provided in 24 CFR § 570.702 to apply to HUD for Section 108 loan guarantee funds on behalf of non-entitlement jurisdictions.

Local governments may submit individual or multi-jurisdictional applications to DLG. A city or county should submit an individual application when the proposed activity(ies) benefit(s) or alleviate(s) a problem within its community. Cities and/or counties which share a regional project requiring participation from multiple jurisdictions and deriving a mutual benefit may submit a multi-jurisdictional application. A lead applicant must be named for the multi-jurisdictional application. Applicants wishing to submit a multi-jurisdictional application must receive prior permission from DLG.

B. **Eligible Activities**

A detailed explanation of eligible activities is set forth in 24 CFR § 570.703 and is attached in Appendix B. In addition to being an eligible activity for Section 108 funds, the project must also meet one of the three National Objectives (Section II).

C. **Maximum Section 108 Loan Guarantee Amount**

HUD's Section 108 Loan Guarantee Program allows a state to leverage up to five times its annual CDBG allocation to finance large-scale development projects. Kentucky's estimated CDBG allocation is \$26,362,058 for 2010.

D. **Submittal of Applications**

Interested non-entitlement communities must submit a written initial request detailing the information listed in Section IV.A. of the Guidelines. Upon review and approval of the initial request to apply for Section 108 loan funds, DLG will accept an application from the eligible applicant and determine if the application meets program eligibility, all program

requirements and state priorities. DLG will submit each priority application on behalf of the eligible applicant to HUD for final approval.

1. **Invitation to Apply**

An interested local government must receive a written invitation from DLG to submit an application.

2. **Application Dates**

Applications may be submitted at any time during the program year.

3. **Application Format**

Applications must be in a well organized format addressing all the requirements established in 24 CFR § 570.704 and summarized in Section IV.C. of these Guidelines. No standard application form is required. Applications must be submitted to Lynn Travis Littrell, Department for Local Government, Office of Federal Grants at 1024 Capital Center Drive, Suite 340, Frankfort, KY 40601.

4. **Resolution**

The governing body of the applicant that proposes to apply for a Section 108 loan guarantee must approve the application and authorize its submission to DLG by resolution. The governing body must authorize the chief elected official to sign the application, enter into contracts and agreements, and provide the assurances required for the use of a Section 108 loan.

5. **Contact DLG for Additional Information**

For additional information, applicants may contact Lynn Travis Littrell, Department for Local Government, Office of Federal Grants at 1024 Capital Center Drive, Suite 340, Frankfort, KY 40601. Phone number: (502)573-2382 or (800)346-5606.

E. **Citizen Participation**

Each applicant must meet citizen participation requirements at the time that an application is submitted. The Community Development Act requires units of local government to provide reasonable opportunities for citizen participation, hearings and access to information with respect to local community development programs. See Appendix C for further direction.

F. **eClearinghouse Review**

An eClearinghouse review of potential Section 108 projects must be completed as a part of the application process through the State Clearinghouse. Instructions can be found on the DLG web page (www.dlg.ky.gov). The submittal must be done electronically.

G. **Site Visits/Consultations**

DLG reserves the right to make site visits to the proposed project site and/or request the applicant to meet with staff to discuss the project and the application.

SECTION IV - APPLICATION PROCESS

A. **Request to Submit An Application**

Eligible applicants must submit a letter to DLG's Director of the Office of Federal Grants from the chief executive official requesting an invitation to submit an application. The letter must include a description of the proposed project activities to be undertaken, the National Objective to be met, activities to be financed with specific eligibility citation provided, the public benefit to be derived from the proposed activities, projected time table, total project cost, sources of all funds, and any other pertinent information or documentation to support the request.

Applicants are encouraged to arrange a meeting with DLG staff to discuss their potential project and the need for Section 108 loan funds. Applicants should carefully review the Section 108 program guidelines before submitting a request.

B. **Initial Screening**

DLG staff will review each letter of request submitted for probable compliance with the federal requirements and state priorities for a Section 108 loan guarantee. In particular, the following criteria will be used to evaluate each request:

1. Eligibility of proposed activities in need of Section 108 loan funds. Each proposed activity must be specifically listed as an eligible activity in 24 CFR § 570.703.
2. Compliance with the use of CDBG funds for eligible activities under 24 CFR § 570.201 through § 570.204.
3. Meeting the criteria for a National Objective under 24 CFR § 570.208.
4. Compliance with the public benefit requirements found in 24 CFR § 570.209.
5. Review of the need for a Section 108 loan, previous efforts made to obtain financing, and inability to secure sufficient financing for the activities without the use of the loan guarantee.

DLG staff will advise the applicant in writing that it will either accept an application for a Section 108 loan or reject the request. DLG may recommend that the amount of the loan request be decreased or that other changes be made.

C. **Application Contents**

The application will contain the following elements and documentation:

1. An original and one (1) copy of the application must be submitted.
2. A project narrative providing the proposed project location, a project description, time schedule, and other pertinent information to fully describe the use of Section 108 loan funds.
3. A narrative describing how the proposed uses of Section 108 loan funds are in compliance with the local community's development objectives.
4. A statement on the eligibility of the proposed activities to be financed with Section 108 loan funds in accordance with the federal CDBG regulations. Applicants must include the specific provision of 24 CFR § 570.703 (Appendix B) under which each activity is eligible.
5. Statements on: the public benefit standard to be applied; potential benefit to low and moderate income persons; conformance with the community's or region's comprehensive plan(s); the financial feasibility of the proposed project; the "but-for" rationale; and leveraging of Section 108 loan funds with other public and private funds.
6. A signed original of the resolution of the governing body approving the application and authorizing the submittal.
7. Evidence of compliance with citizen participation requirements per 24 CFR § 570.704(a)(iii) and § 704(a)(iv). (See Appendix C)
8. Amount of Section 108 guaranteed loan funds expected to be used for the project.
9. A proposed repayment schedule with the term of the loan, loan amount, anticipated interest rate and annual payment amount. The repayment schedule should also include a narrative on the sources of repayment. If the source of repayment is from net income from the project or the proposed development entity, a pro-forma should be prepared for the length of the term of the Section 108 loan.
10. A narrative indicating which activities are expected to generate program income and the amount.
11. A budget/financing plan that identifies all sources of funds to undertake the project. The plan must specify the amount of Section 108 loan funds expected to be used for the project. All other funds in the project shall be identified as to sources, amounts, whether it is a loan or grant, terms of the loans (if applicable), repayment provisions (if applicable), security position, and whether each loan or grant is committed or pending. In addition to the sources of funding, the public entity must also provide a proposed use of funds. All project costs should be identified and justified in a narrative attached to the budget.

12. Certifications and assurances of compliance with all applicable state and federal laws must be submitted.
13. A pledge, per 24 CFA § 570.705(b)(2), that all grants received or for which the local government may become eligible will be devoted to the repayment of the loan in the event of default.
14. Description of where citizens may obtain additional information about proposed activities.

SECTION V - PROJECT PRIORITIES AND SELECTION CRITERIA

A. Priorities

DLG will give preference to applications which propose to use Section 108 loan guarantee funds for economic development activities. DLG will review and make decisions on approval and disapproval of applications as they are submitted. Should DLG's Section 108 loan commitment authority be reduced to the point that the available loan authority is not sufficient to allow approval of all eligible applicants, DLG will assign priorities to applications. The following are activities that will be considered priorities when allocating limited Section 108 resources:

1. Job Creation

It is a goal of the Kentucky Section 108 loan guarantee program to create quality permanent jobs as a result of the financial assistance provided. Priority will be given to projects which create a minimum of one permanent full-time equivalent (FTE) job to be created or retained for every \$20,000 of Section 108 loan funds. The federal Section 108 regulations allow up to a maximum participation of \$35,000 per job.

2. Infrastructure

A project that finances the installation or reconstruction of critical infrastructure is also a priority activity. This could be related to the redevelopment or reuse of property or in support of an economic development purpose.

3. Special Economic Development

Financial assistance may be provided for a private for-profit firm under CDBG guidelines. Once again, the eligibility of the activity must meet one of the National Objectives. Please see 24 § CFR 570.209 for guidelines for evaluating and selecting economic development projects.

4. Housing

Priority will also be given to proposed projects that involve the rehabilitation of existing housing and/or the construction of housing by non-profit organizations for homeownership and/or rental. Any development of affordable housing must be primarily for the benefit of low and moderate income persons.

B. **Review Criteria**

DLG will consider the following criteria in reviewing the application:

1. The requested loan amount is within maximum limitations;
2. Funds are available in the amount requested;
3. The previous performance of the applicant, and/or its designated public agency;
4. Activities to be undertaken with the Section 108 guaranteed loan funds are eligible;
5. The project meets the public benefit test; and
6. Sufficiency of loan repayment commitments which are fully discussed in Section VI of these Guidelines.

DLG reserves the right to consider any other combination of factors and will notify the applicant in writing that the loan guarantee request has been approved for submittal to HUD, reduced, or disapproved.

- C. DLG will apply to HUD on behalf of eligible applicants who have received DLG's approval. HUD will review the application and advise DLG of their determination of approval or disapproval of the proposed project for Section 108 loan funds.

SECTION VI - LOAN COMMITMENTS

A. **Loan Agreement**

Once HUD has approved DLG's application on behalf of an eligible applicant, DLG will notify the applicant of the approval. The applicant will be advised of any conditions of the approval. No costs may be reimbursed with Section 108 funds or other project funds, except for certain costs relating to planning and design services, until environmental clearance and signing of a loan agreement.

B. **Repayment**

It is anticipated that the primary source of repayment of the Section 108 loan amount will be from projected cash flow as a result of the project, or from other sources of revenue that are pledged specifically for repayment of the Section 108 loan.

1. **Forms of Repayment**

It is expected that the primary source of loan repayment will be cash flow, however DLG may require additional security to be pledged as a secondary source of repayment. The applicant shall furnish, at the discretion of the DLG and HUD, such other security as DLG and HUD deem appropriate. Examples of additional security that may be required:

- a. Program income
- b. Liens on real and personal property
- c. Debt service reserves
- d. Increments in local tax receipts generated by activities carried out with Section 108 loan funds
- e. Personal financial guarantees by developers

2. **Repayment Period**

The maximum term of the Section 108 loan shall not exceed twenty (20) years.

C. **Reserve Clause**

DLG reserves the right to negotiate or deviate from the maximum amounts of Section 108 loan financial assistance, the repayment period, repayment sources, percentage of loan guarantee, and any other terms and conditions, based on the merits of the application and the financial underwriting of the project.

D. **Repayment Review**

1. DLG will review the application for repayment acceptability. DLG may disapprove or reduce the amount of the loan guarantee assistance for any of the following reasons when it determines that the guarantee constitutes an unacceptable financial risk. Factors that will be considered when assessing financial risk include, but are not limited to, the following:
 - a. The length of the proposed repayment period;
 - b. The applicant's ability to furnish adequate security; and
 - c. The amount of income the proposed activities are reasonably estimated to contribute towards repayment of the guaranteed loan.
2. HUD will review the application based on program requirements set forth in 24 CFR § 570.704(c).

SECTION VII - SANCTIONS

A. **Repayment/Default**

HUD will enter into a memorandum of agreement with DLG on behalf of the recipient of the Section 108 loan funds. Thereafter, DLG shall enter into a loan agreement with the recipient of the Section 108 loan funds. Should the recipient default on its payments, HUD will hold DLG responsible for repayment of the debt obligation out of its annual CDBG allocation. The amount of the withholding from the annual CDBG allocation will be equal to the annual debt service payments committed by the recipient.

B. Performance Deficiencies

Should the actual use of Section 108 loan funds not comply with the federal CDBG regulations of 24 CFR 570, HUD may take one or more actions against the Commonwealth including reducing DLG's annual CDBG allocation.

With or without HUD's direction, DLG may take appropriate action against the recipient. Remedial actions will be imposed if the Section 108 loan funds do not meet the public benefit requirement, a National Objective or other requirements. DLG will be responsible for monitoring the performance of the Section 108 loan guarantee recipient. If deficiencies are found, the following actions will be undertaken:

1. A warning letter will be issued advising the recipient of the deficiency and putting the recipient on notice that additional action will be taken if the deficiency is not corrected.
2. Request the recipient to submit a proposal for corrective action which includes a timetable, responsible parties, and other actions that will be undertaken to prevent a continuance of the deficiency, mitigation of the adverse effects, and ways to prevent a recurrence of the deficiency.
3. Stop disbursement of Section 108 loan funds.
4. Advise the recipient to reimburse the program for any amounts improperly expended.
5. Institute collection procedures including commencement of legal action against any additional collateral pledged.

**APPENDIX A
MEETING A NATIONAL OBJECTIVE**

Each activity funded under the HUD Section 108 Guaranteed Loan Program must meet at least one of the three National Objectives identified in Title I of the Housing and Community Development Act of 1974 as amended in 1983, 1987 and 1992, hereafter referred to as the Act Section 104(b) (3), and regulations contained in the 24 Code of Federal Regulations (CFR) section 570.483. The three objectives are:

1. Benefit to low and moderate income persons;
2. Prevention or elimination of slums or blight; and
3. Meeting community development needs having a particular urgency.

The recipient is responsible for selecting and documenting how each activity addresses a National Objective.

Please note: The Act identifies as a primary objective the "... development of viable urban communities by providing decent housing and suitable living environment and expanding economic opportunities, principally for persons of low and moderate income..." The Commonwealth is required to assure that not less than 70% of the aggregate of the federal assistance received by the state as CDBG grant funds and Section 108 loan guarantee funds shall be used for the support of activities that benefit persons of low and moderate income.

A. Activities which Benefit Low and Moderate Income Persons

An activity will meet this objective if 51% of the persons benefiting from the activity are of low and moderate income. This is the primary National Objective to be used by the Section 108 Loan Guarantee Program. Low and moderate income levels are defined in the Act as HUD determined calculations based on median family income.

1. There are four (4) ways to benefit low and moderate income persons:

- a. Area Benefit Activity – where the benefits of the activity are available to all residents in a particular area, where at least 51% of the area’s residents are low and moderate income persons.
- b. Limited Clientele Activity – where the activity benefits a limited clientele, at least 51% of whom are low or moderate income persons. The activity could benefit a clientele who are generally assumed to be principally low and moderate income. (The following categories of persons are presumed to be low and moderate income: abused children; battered spouses; elderly persons; adults meeting the Bureau of Census’ Citizens Current Population Reports definition of “severely disabled”; homeless persons; illiterate adults; persons living with AIDS; and migrant farm workers.) The activity could have an income eligibility requirement which limits the activity exclusively to low and moderate income persons, or the activity could be of such nature that it may be concluded that the activity’s clientele will primarily be low and moderate income persons.
- c. Housing Activity – where the activity is to provide or improve permanent housing which will be occupied by low and moderate income households.
- d. Job Creation or Retention Activities – which are designed to create or retain permanent jobs where at least 51% of the jobs (computed on a full-time equivalent basis), involve the employment of low and moderate income persons. For an activity that creates jobs, at least 51% of the jobs will be held

by, or will be available to, low and moderate income persons.

2. Tracking Job Creation

The recipient must monitor the jobs created from the employment records and the method of hiring that the company used to fill the positions. For purposes of determining whether a job is held by or made available to a low and moderate income person, the person may be presumed to be a low and moderate income person if:

- a. he/she resides in a census tract that has a poverty rate of at least 20% or
- b. he/she resides in a census tract that has at least 70% of its residents who are low and moderate income.

In addition, if the business to be assisted with the Section 108 loan is located in either a 20% poverty census tract or 70% of its residents are low and moderate income, all of the jobs to be created will be assumed to benefit low and moderate income persons.

3. Public Benefit

The proposed use of the Section 108 loan funds must provide a minimum level of public benefit. The activity must:

- a. Create or retain at a minimum, at least one full-time equivalent permanent job per \$35,000 of Section 108 loan funds, or
- b. Provide goods or services to residents of the area, such that at a minimum, at least one low and moderate income resident of the area benefits from each \$350 of Section 108 loan funds expended.

Income figures for each county or area and further information on how an activity may meet this test can be obtained from the DLG.

Required Documentation

The recipient must maintain records that at least 51% of the persons benefiting from the activity are of low and moderate income. Low and moderate income beneficiaries must be accounted for. Documentation must be maintained verifying the low and moderate income beneficiaries. This information must be explained and the sources and the applicable regulation cited.

B. Activities which Aid in the Prevention or Elimination of Slums or Blight

An activity will meet this objective if:

1. It meets a definition of slum area, blighted area, deteriorated or deteriorating under KRS 99.705; and

2. It contains a substantial number of deteriorating or dilapidated buildings throughout the area; and
3. The activity is designed to address one or more of the conditions that contributed to the deterioration of the area; or
4. The activity addresses an individual structure, which would otherwise meet the definition of slum or blight.

Required Documentation

The recipient must maintain records that the activity meets the definition of prevention or elimination of slums or blight. Records must also be maintained describing the boundaries of the area and the conditions of the area which qualify it under this objective. Documentation may include photographs, structural surveys or development plans. This information must be explained, the sources and the applicable regulation cited.

C. **Activities Designed to Meet Community Development Needs Having a Particular Urgency**

An activity will meet this objective if it:

1. Addresses needs having a particular urgency because existing conditions pose a serious and immediate threat to the health or welfare of the community;
2. Is of recent origin (within 18 months) or which recently became urgent; and
3. Has no other available source to complete the funding package and the community cannot finance the activity on its own.

Required Documentation

The recipient must maintain records as to the nature and degree of seriousness of the problem, that the activity was designed to address the urgent need, that the problem is of recent origin, that other funding is not available, and the community cannot finance the activity alone. This information must be explained in detail and the applicable regulation cited in the application.

APPENDIX B - ELIGIBLE ACTIVITIES

TITLE 24--HOUSING AND URBAN DEVELOPMENT
CHAPTER V--OFFICE OF ASSISTANT SECRETARY FOR COMMUNITY
PLANNING AND DEVELOPMENT, DEPARTMENT OF HOUSING AND URBAN
DEVELOPMENT
PART 570_ COMMUNITY DEVELOPMENT BLOCK GRANTS

Subpart M Loan Guarantees

Sec. 570.703 Eligible activities.

Guaranteed loan funds may be used for the following activities, provided such activities meet the requirements of Sec. 570.200. However, guaranteed loan funds may not be used to reimburse the CDBG program account or line of credit for costs incurred by the public entity or designated public agency and paid with CDBG grant funds or program income.

- (a) Acquisition of improved or unimproved real property in fee or by long-term lease, including acquisition for economic development purposes.
- (b) Rehabilitation of real property owned or acquired by the public entity or its designated public agency.
- (c) Payment of interest on obligations guaranteed under this subpart.
- (d) Relocation payments and other relocation assistance for individuals, families, businesses, nonprofit organizations, and farm operations who must relocate permanently or temporarily as a result of an activity financed with guaranteed loan funds, where the assistance is:
 - (1) Required under the provisions of Sec. 570.606(b) or (c); or
 - (2) Determined by the public entity to be appropriate under the provisions of Sec. 570.606(d).
- (e) Clearance, demolition and removal, including movement of structures to other sites, of buildings and improvements on real property acquired or rehabilitated pursuant to paragraphs (a) and (b) of this section.
- (f) Site preparation, including construction, reconstruction, or installation of public and other site improvements, utilities, or facilities (other than buildings), which is:
 - (1) Related to the redevelopment or use of the real property acquired or rehabilitated pursuant to paragraphs (a) and (b) of this section, or
 - (2) For an economic development purpose.
- (g) Payment of issuance, underwriting, servicing, trust administration and other costs associated with private sector financing of debt obligations under this subpart.
- (h) Housing rehabilitation eligible under Sec. 570.202.
- (i) The following economic development activities:
 - (1) Activities eligible under Sec. 570.203; and
 - (2) Community economic development projects eligible under Sec. 570.204.
- (j) Construction of housing by nonprofit organizations for homeownership under section 17(d) of the United States Housing Act of 1937 (Housing Development Grants Program, 24 CFR part 850) or title VI of the Housing and Community Development Act of

- 1987 (Nehemiah Housing Opportunity Grants Program, 24 CFR part 280).
- (k) A debt service reserve to be used in accordance with requirements specified in the contract entered into pursuant to Sec. 570.705(b)(1).
 - (l) Acquisition, construction, reconstruction, rehabilitation, or installation of public facilities (except for buildings for the general conduct of government), public streets, sidewalks, and other site improvements and public utilities.
 - (m) In the case of applications by public entities which are, or which contain, "colonias" as defined in section 916 of the Cranston-Gonzalez National Affordable Housing Act (42 U.S.C. 5306 note), as amended by section 810 of the Housing and Community Development Act of 1992, acquisition, construction, reconstruction, rehabilitation or installation of public works and site or other improvements which serve the colonia.

[59 FR 66604, Dec. 27, 1994, as amended at 61 FR 11481, Mar. 20, 1996]

APPENDIX C - CITIZEN PARTICIPATION

Citizen Participation

Citizen participation requirements must be met as part of application requirements. CFR 24 CFR § 570.704(a)(2) requires applicants to provide reasonable opportunities for citizen participation, hearings and access to information with respect to local community development programs. At a minimum, a community must perform the following activities:

1. Furnish citizens with information that explains the Section 108 program. Prior to the public hearing, a notice must be published informing citizens that the following information is available for review:
 - g. An application including a detailed description of the project being proposed.
 - h. Amount of Section 108 funds expected to be made available, range of activities that may be undertaken and if applicable, available and/or anticipated program income.
 - i. Estimated amount of CDBG funds proposed for activities benefiting persons of low and moderate income.
 - j. Plans for minimizing displacement of persons as a result of activities assisted with Section 108 funds and plans for providing assistance to those persons to be actually displaced as a result of Section 108 funded activities.
 - k. Records on past use of CDBG funds.
 - l. Summary of other important program requirements.

2. Hold the first public hearing.
 - a. The main purpose of this hearing is to obtain views on housing and community development needs and review proposed activities. In addition, the hearing will review the proposed application and discuss social impacts, economic impacts, environmental impacts, project alternatives and solicit public improvements.
 - b. Advertise the hearing in accordance with state and federal laws. KRS 424.130 requires that the public hearing must be advertised at least once, not less than seven (7) nor more than twenty-one (21) days prior to the date of the hearing, in the newspaper of the largest circulation in the jurisdiction. Pursuant to KRS 446.030, the date of the hearing is not to be included in the computation of time. Example: For a public hearing scheduled on Tuesday June 8th, the newspaper advertisement must be published no earlier than May 18th and no later than June 1st. This may be included as part of the notice providing the public with Section 108 information. (The notice must include the local TTD number which is (800) 648-6057 or state relay TTY number which is (800) 648-6056.)
 - c. Undertake and document additional advertisement to reach low and moderate income persons. Such efforts could include:
 1. Distribute leaflets at neighborhood groceries, churches and community centers.
 2. Undertake door-to-door distribution announcements.
 3. Provide radio (and television if available) public service announcements for broadcast.
 - d. Inform citizens that technical assistance is available to help groups representing low and moderate income persons in developing proposals. Designate where this technical assistance may be obtained.
 - e. Hold the public hearing in a location accessible to the disabled and at a time and place convenient to potential or actual beneficiaries. The hearing must provide maximum opportunity for community input.
 - f. Arrange for interpreters for non-English speaking persons if applicable.
 - g. The application must be available for review seven (7) days prior to the public hearing and the advertisement must identify where a copy of the application can be obtained.

3. Pursuant to 24 CFR § 570.486(a)(6), public hearings are also necessary during the course of a project when a change is proposed that substantially changes the original activities, whether activities are added or deleted.
4. A second public hearing must be held prior to closeout.
 - a. The main purpose of this hearing is to review past use of funds and program performance.
 - b. Advertise the hearing in accordance with state and federal laws that the project is nearing closeout and comments from the public are invited. KRS 424.130 requires that the public hearing must be advertised at least once, not less than seven (7) nor more than twenty-one (21) days prior to the date of the hearing, in the newspaper of the largest circulation in the jurisdiction. Pursuant to KRS 446.030, the date of the hearing is not to be included in the computation of time. Example: For a public hearing scheduled on Tuesday June 8th, the newspaper advertisement must be published no earlier than May 18th and no later than June 1st.”
 - c. Ensure that steps are again taken concerning LMI participation, providing a time and place convenient to beneficiaries, a location accessible to the disabled and assistance to non-English speaking persons.
5. Consider public comments.
 - a. Consider all comments and views received and comments received and, if the applicant deems appropriate, modify the proposed application.
 - b. If the original application is modified, the final application must also be made available to the public.
6. Respond to public comments.
 - a. Respond in writing to all written comments received during the public hearing process.
 1. Indicate comments were considered.
 2. Cite reasons for rejection if applicable.
 3. File comments and responses in the citizen participation file.
 - b. Develop a complaint and grievance procedure where written complaints and grievances are answered in writing within fifteen (15) working days. Provide citizens the address, phone number and times for submitting complaints and grievances.

Additional CDBG Information:

In 2009, DLG received \$7.2 million in American Recovery and Reinvestment Act (ARRA) funding through the Department of Housing and Urban Development (HUD). Thirteen projects were selected for funding including four projects for wastewater treatment and collection, one water distribution, three for housing, two community projects, two addiction recovery centers and a job training project.

HOME 91.220(l)(1) (State: 91.320(k)(2))

1. *Describe other forms of investment. (See Section 92.205)
If grantee (PJ) plans to use HOME funds for homebuyers, did they state the guidelines of resale or recapture, as required in 92.254.*

HOME Program and Other Project Resources

The state of Kentucky anticipates an allocation of \$18,628,804 in HOME funds for federal fiscal year 2010. The table below details the approximate dollars anticipated to be allocated by differing activities and for set-asides for specific activities.

It is anticipated that approximately \$2,000,000 of program income and recaptured funds will be returned to KHC. In addition, KHC may use any recaptured and/or uncommitted HOME funds from prior years to fund various housing initiatives.

KHC's match requirement for federal fiscal year 2010 is approximately **\$4,116,815**. Forms of match will include any of the sources permissible under Section 92.220. The primary sources of match will be the state's Affordable Housing Trust Fund and mortgage revenue bonds. Applicants will be required to bring 10 percent matching funds based on the total HOME assistance requested.

Activities

Activities eligible for funding include, but are not limited to:

- Rehabilitation for homeowner, home buyer or rental properties
- Acquisition, including down payment and closing cost assistance
- New construction of rental or home buyer properties
- Tenant-based rental assistance
- Demolition in conjunction with rehabilitation or new construction
- Reconstruction housing
- Adaptive reuse
- Homeless assistance (restricted to housing development activities for transitional or permanent housing)

KHC may undertake additional activities permitted by federal regulation. Assistance may be provided for rental housing or to promote homeownership. Any activity that qualifies under the HOME Final Rule, Sections 24 CFR 92.205-209, may be financed by the state HOME Program, provided it is consistent with the Consolidated Plan and this Action Plan

(See question 3 for resale/recapture provisions.)

Distribution Plan

KHC cannot predetermine the use of HOME funds by activity. The amount of funds allocated for each activity will be based on the nature of applications received by KHC, the criteria described in the application process and the extent to which proposals are consistent with the priorities identified in this plan.

KHC will make every attempt to distribute funds geographically, contingent upon overall housing demand.

KHC anticipates that fiscal year 2010 funds will be distributed as follows:

Activity	Approximate Allocation
Total HOME Allocation From HUD	\$18,628,804
• HOME Administration	1,862,880
• CHDO Set-Aside	2,794,321
• CHDO Operating	1,000,000
• KHC Safe Havens TBRA & Downpayment Assistance Program	4,221,603
• Competitive funding for homeownership, rental and TBRA activities	7,750,000
• Gap Pool	1,000,000

KHC will utilize program income, reprogrammed administrative funds and carryover funds from prior years, recaptured funds and matching funds provided by KHC (if any) as necessary to meet the objectives of the state. Additionally, if necessary, KHC reserves the right to adjust funding levels between these activities as determined by KHC.

Eligible Applicants

Eligibility to apply for HOME funds will be no more restrictive than that required by HUD regulations.

Community Housing Development Organizations (CHDOs)

KHC will reserve a minimum of 15 percent of the total amount of HOME funds received for CHDOs. CHDOs apply to KHC to develop, sponsor or own projects and will be eligible to undertake any eligible activity in accordance with 24 CFR Part 92 Subpart G.

Due to the extensive network of nonprofit housing providers in the state, KHC anticipates that the annual participation of CHDOs may exceed 15 percent of total HOME funds.

To apply for funds from the CHDO set-aside, an organization must be designated a CHDO by KHC. KHC does not accept certifications of other participating jurisdictions.

In the past, KHC has partnered with the Homeless and Housing Coalition of Kentucky (HHCK) to provide technical assistance to CHDOs. HHCK created a CHDO resource guide that enables other CHDOs to call upon their colleagues to seek advice in different areas (i.e., volunteer labor, construction crews and financial management). HHCK has also created a forum/list serve for CHDOs to use to gather and share ideas and questions. KHC will continue its relationship with HHCK and the further development of CHDOs.

KHC will be working during this year to establish performance measures for CHDOs.

CHDO Operating Funds

KHC will periodically evaluate the performance of any CHDO wishing to receive CHDO operating funds. CHDO operating funds will be provided on a year-by-year basis provided funds are available and the CHDO has demonstrated acceptable performance. To document its performance and be eligible to receive operating funds, the CHDO must provide quarterly progress reports coinciding with the quarterly draw requests for CHDO operating funds. CHDO operating funds are awarded on a calendar year basis. Draw requests for eligible expenditures may be made on a calendar quarter reimbursement basis.

Additionally, a portion of this year's HOME allocation will be used for CHDO operating expenses.

Homeownership and Rental Activities Application Process

Applications may be submitted for homeownership, tenant-based rental assistance and rental activities. Application submission deadlines for federal fiscal year 2010 will be determined and published. Notification that applications are being accepted will be made via KHC's eGram service.

Applications will be evaluated on the following criteria:

- Performance measures
- Project need/demand
- Financial design and feasibility
- Project design
- Capacity of the development team
- Readiness to proceed

KHC will make every effort to work with applicants and offer technical assistance when completing an application.

After an application is given a conditional commitment of funding, the applicant must submit necessary technical submission items in order to receive a full release of funds.

In the event a recipient has not satisfactorily performed under the terms of the written agreement with KHC or has not initiated a HOME project for which funding was awarded, KHC will not accept subsequent applications.

Plan for determining compliance with the 95 percent median purchase price 92.254(a)(2)(iii).

The minimum Single Family Mortgage Limits under 203(b) of the National Affordable Housing Act for the Commonwealth of Kentucky is \$271,050 - 95 percent of this amount is \$257,497. Kentucky Housing Corporation further restricts the purchase price limits for all HOME-assisted units to \$150,000, well below 95 percent of the 203(b) limit.

Other Application Activity Processes

- **Tenant-Based Rental Assistance**

TBRA applications will be accepted through a competitive application process. When a potential recipient submits a TBRA application, they must document the need for the project by agency data such as waiting lists for assistance. Each applicant must also document that there are sufficient units in the area that meet Housing Quality Standards. Applicants must also describe the availability of permanent housing for HOME TBRA participants and how the agency will link participants with sources of affordable permanent housing.

Once an applicant is granted a conditional commitment of funding, they must submit an administrative plan that documents how the applicant will comply with the regulations of 24 CFR 92.211.

- **Funding of Projects Located in Participating Jurisdictions**

KHC anticipates that some HOME funds may be used for eligible activities that are located in Participating Jurisdictions (PJs) through down payment assistance and tenant-based rental assistance programs that serve the state as a whole. Through the competitive application process, KHC will help ensure that the distribution of HOME funds over all will be as equal as possible throughout the state.

KHC In-House Programs

Single Family Homeownership

HOME funds are used to provide down payment, closing costs assistance and principal reduction to assist eligible households purchase a home. Priority is given to households:

- in which at least one member has a disability or households in which at least one home buyer is elderly (age 62 or older)
- to assist single-parent or two-parent households that are first-time home buyers and that have at least one dependent child under the age of 18.

In-House TBRA Program, Including Safe Havens Vouchers

KHC will also utilize HOME funds for its in-house TBRA Program, which is used to assist income-eligible families in one of the following methods:

- Provide temporary rental assistance to eligible families affected by emergency events as determined by the governor. These events may include natural disasters, major layoffs of workers and other events that impact the ability of low-income Kentucky families to maintain affordable rental housing.
- Provide temporary rental assistance to meet individual family emergencies. These emergencies may include such situations as homelessness prevention, housing persons who are terminally ill, housing persons in spouse abuse/homeless shelters and other emergency situations as determined by KHC staff. The Governor's Office, legislators, nonprofit organizations and KHC staff members may take referrals to this program.
- One hundred percent of the units will serve households at or below 60 percent of the area median income, adjusted for size, defined by federal Section 8 income guidelines.

KHC will also use HOME funds to provide TBRA assistance to individuals and families participating in the Safe Havens initiative.

2. *If grantee (PJ) plans to use HOME funds to refinance existing debt secured by multifamily housing that is being rehabilitated with HOME funds, state its refinancing guidelines required under 24 CFR 92.206(b).*

Refinancing Guidelines for Multifamily Housing

KHC will not allow HOME funds to be used in the refinancing of existing debt secured by multifamily housing.

3. *Resale Provisions -- For homeownership activities, describe its resale or recapture guidelines that ensure the affordability of units acquired with HOME funds? See 24 CFR 92.254(a)(4).*

Home Buyer Resale/Recapture Provisions

HOME Funds are administered by partner agencies located throughout the Commonwealth. These agencies will advise clients prior to committing HOME funds whether the Resale or Recapture Provisions will apply to the specific program from which they are receiving funds.

KHC requires applicants to utilize the **recapture provisions** for any application that is received through the competitive funding process and KHC's in-house homeownership program. The HOME Funding Agreement, which is executed with each recipient agency, contains the following language

Recapture Provisions -

- Recapture provisions are used to ensure that KHC or the Recipient recoups all or a portion of the HOME assistance to the End Beneficiary, if the housing does not continue to be the principal residence of the End Beneficiary for the duration of the period of affordability.
- Recipient may reduce the amount of HOME investment on a prorated basis for the time the End Beneficiary has owned and occupied the housing measured against the required affordability period.

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

<u>HOME Investment Per Unit</u>	<u>Minimum Length of Affordability Period</u>
Less than \$15,000	5 years
\$15,001 to \$40,000	10 years
More than \$40,000	15 years

Recipients of HOME funds have the ability to structure their affordability periods for a longer period of time, but no less than the minimum length defined above.

Recapture Example:

Ms. Mary Smith (End Beneficiary) purchases a home for \$105,000 in June of 2011 and received \$20,000 in HOME funded HOME assistance from XYZ non-profit (who is the recipient of the HOME funds for KHC). Ms. Smith sells the house in August of 2016, after the fifth year of affordability. As a result, fifty percent is forgiven and a balance of \$10,000 is to be repaid from the net proceeds. However, if the net proceeds of the sale are insufficient to repay the balance, the amount subject to recapture will be equal to the net proceeds.

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

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

Required Deed Restriction Language

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

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

ENFORCEMENT. The covenants set forth in this Deed shall run with the land described above and, to the fullest extent permitted by

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

4. *HOME Tenant-Based Rental Assistance -- Describe the local market conditions that led to the use of HOME funds for tenant based rental assistance program.*

If the tenant based rental assistance program is targeted to or provides a preference for a special needs group, that group must be identified in the Consolidated Plan as having an unmet need and show the preference is needed to narrow the gap in benefits and services received by this population.

As described in the Consolidated Plan, needs data indicate a large percentage of low-income households in Kentucky are unable to afford rental housing. A large percentage of these families are either moderately or severely cost burdened. In addition, special needs populations in Kentucky are also cost-burdened and need rental assistance. Due to these needs as described in the Consolidated Plan, a portion of HOME funds will be made available for TBRA activities.

Data pertaining to high cost burden and lack of affordable housing units is located beginning on page 26 of the Five Year Plan. Information on page 69 of the Five Year Plan indicates that the average waiting list for public housing in Kentucky is six months. This data was obtained from CHAS data provided by HUD and on HUD's public housing information website. In addition, during the consultation process for the Five Year and Annual Plans, general housing needs as they are ranked by information received from surveys, public forums and input from housing providers and the general public indicate there is a lack of affordable rental housing, problems finding decent housing if a voucher is obtained and a continued lack of transitional housing and housing for persons with disabilities.

TBRA is used to serve the most difficult populations with low incomes who may need the assistance as transitional assistance until a HCV is available or other housing opportunities become available. KHC has chosen to use the TBRA program along a continuum of housing assistance to serve these underserved populations and help them access affordable housing through rental assistance, both through competitive applications for funding and through its in-house programs.

KHC uses TBRA in two ways in its in-house programs. First, TBRA is used to assist special populations as the Safe Havens program, which focuses on domestic violence victims, homeless families with children and homeless individuals suffering with severe

and persistent mental illness. Safe Havens provides housing vouchers to eligible participants and couples housing with a combination of case management services. Case management focuses on assisting participants with goals to reach self-sufficiency, tailored to the individual. During the transitional housing phase, participants are placed on HCV waiting lists through KHC and other partnering PHAs to help obtain permanent housing. Second, KHC uses TBRA for an emergency housing program which targets homeless elderly populations, victims of natural disasters, or homeless individuals. Eligible participants must live in KHC's Section 8 housing choice voucher jurisdiction. This emergency program, too, provides housing vouchers so that eligible households can find more affordable housing. Participants in this program also are placed on KHC's Section 8 HCV waiting list.

Both programs operate very similar from a housing assistance perspective. They provide ample time for participants to find housing which qualifies with maximum gross rents and rent comparison studies. Identified housing units must pass an HQS Inspection, which ensures that housing is safe and decent.

As funding allows, KHC opens a limited number of vouchers in each program. Referrals to Safe Havens are made through provider agencies, and vouchers are allocated to the agencies to cover the referrals. When vouchers are available, KHC notifies the agencies of the allocations through eGrams and/or emails. Safe Havens is also listed on KHC's website as an available program for the targeted groups. KHC notifies all staff and providers through eGrams and/or emails when the emergency housing program is available. Some vouchers are saved for federal or state disasters, such as floods. In these events, the local and state officials are made aware of the availability of emergency housing assistance.

5. If a participating jurisdiction intends to use forms of investment other than those described in 24 CFR 92.205(b), describe these forms of investment.

Forms of Investment

KHC will invest HOME funds as interest-bearing loans or advances, non-interest bearing loans or advances, interest subsidies, deferred payment loans and forgivable loans and grants. Assistance may be provided to private developers, nonprofit organizations, CHDOs and governmental agencies.

An applicant that proposes to use any other form of investment not described in 24 CFR 92.205 must provide the following when submitting an application:

- A description of the form of investment.
- Justification for the need for the form of investment.
- A description of the proposed means of securing the investment, if any.

KHC will not permit other forms of investment without prior HUD approval.

Affordability

KHC has imposed a maximum subsidy cap of \$60,000 per unit for homeownership activities. All HOME funds used for homeownership activities will be required at a minimum to meet the HOME affordability period as established in 24 Part 92.254. Additional guidance on maximum subsidy cap and affordability periods will be detailed in the Homeownership Application Guidelines and Scoring Criteria.

At a minimum, the period of affordability for rental housing rehabilitation, acquisition or existing housing is five years for HOME assistance under \$15,000 per unit; ten years for HOME assistance \$15,000 to \$40,000 per unit; and 15 years for HOME assistance over \$40,000 per unit.

All rental housing involving new construction or acquisition of newly constructed housing must meet a minimum affordability period of 20 years.

- 6. Describe the policy and procedures it will follow to affirmatively market housing containing five or more HOME-assisted units.*

Affirmative Marketing Policy

Each applicant of HOME funds for five or more home buyer or rental units must submit an affirmative marketing plan prior to receiving a formal award of funds. Furthermore, recipients of HOME funds are required to submit to KHC annually a report on their affirmative marketing plan. This annual report is due for as long as the project is active, i.e., drawing funds. In addition, HOME rental projects must submit this report for the duration of the affordability period

- 7. Describe actions taken to establish and oversee a minority outreach program within its jurisdiction to ensure inclusion, to the maximum extent possible, of minority and women, and entities owned by minorities and women, including without limitation, real estate firms, construction firms, appraisal firms, management firms, financial institutions, investment banking firms, underwriters, accountants, and providers of legal services, in all contracts, entered into by the participating jurisdiction with such persons or entities, public and private, in order to facilitate the activities of the participating jurisdiction to provide affordable housing under the HOME program or any other Federal housing law applicable to such jurisdiction.*

Minority/Women's Business Outreach

Each recipient of HOME funds is required to submit a report for each assisted unit that details if the services of a minority- and/or women-owned business were used. This information also notes the amount of the construction contract with that entity.

For the past several years, KHC has cosponsored the Lexington Bluegrass Area Minority and Women Contractor Training Program. The program is coordinated through the Small and Minority Business Division of the Kentucky Cabinet for Economic Development. Throughout the 16-week course, minority- and women-owned businesses are provided the knowledge they need to compete and be successful in the marketplace. Contact information for those businesses is provided to all KHC recipients.

8. *If a jurisdiction intends to use HOME funds to refinance existing debt secured by multifamily housing that is rehabilitated with HOME funds, state its financing guidelines required under 24 CFR 92.206(b).*

See above.

ESG 91.320(k) (3)

1. *The state shall identify the process for awarding grants to state recipients and a description of how the state intends to make its allocation available to units of local government and nonprofit organizations (including community and faith-based organizations).*

All Emergency Shelter Grant (ESG) funds allocated to the state are made available cities and counties or private nonprofit organizations where the unit of local government certifies that it approves each project. Applications for funding from jurisdictions of the state that are not entitlement jurisdictions receiving a direct allocation from HUD (entitlement jurisdictions of Lexington/Fayette County, Louisville/Jefferson County) will receive first priority in the allocation process.

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

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

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

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

Application Ranking	Allocation Formula
1	100% of the request or maximum eligible (whichever is lowest)
2	99% of the request or maximum eligible (whichever is lowest)

3	98% of the request or maximum eligible (whichever is lowest)
4	97% of the request or maximum eligible (whichever is lowest)
5	96% of the request or maximum eligible (whichever is lowest)
6	95% of the request or maximum eligible (whichever is lowest)
7	94% of the request or maximum eligible (whichever is lowest)
8	93% of the request or maximum eligible (whichever is lowest)
9	92% of the request or maximum eligible (whichever is lowest)
10	91% of the request or maximum eligible (whichever is lowest)
11	90% of the request or maximum eligible (whichever is lowest)
12	88% of the request or maximum eligible (whichever is lowest)
13	86% of the request or maximum eligible (whichever is lowest)
14	84% of the request or maximum eligible (whichever is lowest)
15	82% of the request or maximum eligible (whichever is lowest)
16	80% of the request or maximum eligible (whichever is lowest)
17	78% of the request or maximum eligible (whichever is lowest)
18	76% of the request or maximum eligible (whichever is lowest)
19	74% of the request or maximum eligible (whichever is lowest)
20	72% of the request or maximum eligible (whichever is lowest)
21	70% of the request or maximum eligible (whichever is lowest)
22	68% of the request or maximum eligible (whichever is lowest)
23	66% of the request or maximum eligible (whichever is lowest)
24	64% of the request or maximum eligible (whichever is lowest)
25	62% of the request or maximum eligible (whichever is lowest)
26	60% of the request or maximum eligible (whichever is lowest)
27	57% of the request or maximum eligible (whichever is lowest)
28	54% of the request or maximum eligible (whichever is lowest)
29	51% of the request or maximum eligible (whichever is lowest)
30	48% of the request or maximum eligible (whichever is lowest)
31	45% of the request or maximum eligible (whichever is lowest)
32	42% of the request or maximum eligible (whichever is lowest)
33	39% of the request or maximum eligible (whichever is lowest)
34	36% of the request or maximum eligible (whichever is lowest)
35	33% of the request or maximum eligible (whichever is lowest)
36	30% of the request or maximum eligible (whichever is lowest)
37	27% of the request or maximum eligible (whichever is lowest)
38	24% of the request or maximum eligible (whichever is lowest)
39	21% of the request or maximum eligible (whichever is lowest)
40	18% of the request or maximum eligible (whichever is lowest)
41	15% of the request or maximum eligible (whichever is lowest)
42	12% of the request or maximum eligible (whichever is lowest)
43	9% of the request or maximum eligible (whichever is lowest)
44	6% of the request or maximum eligible (whichever is lowest)

In case of a tie, the applicant with the highest Minimum Threshold score (Section B) will receive funding. In the event of a second tie, the applicant with the highest rate of homelessness will receive funding. (Confirmed by current Point in Time Count data).

HOPWA 91.220(l)(3) (State: 91.320(k)(4))

1. *One year goals for the number of households to be provided housing through the use of HOPWA activities for: short-term rent, mortgage, and utility assistance to prevent homelessness of the individual or family, tenant-based rental assistance, units provided in housing facilities that are being developed, leased, or operated.*

The following annual program activity goals have been established for the following HOPWA activities:

Number of Households to be provided short-term rent, mortgage and utility assistance payments	350
Number of households to be provided tenant-based rental assistance	20
Number of units provided in housing facilities that are being developed, leased or operated with HOPWA funds	0

KHC will continue to provide funding for the five Care Coordinator regions within the balance of state.

These regions are:

1. Barren River Region
2. Cumberland Valley Region
3. Lexington region
4. Northern Kentucky Region
5. Purchase Region

KHC will distribute the funds for the HOPWA formula funds based on the number of reported cases of HIV/AIDS to the Department for Public Health's HIV/AIDS Surveillance Program in each of the five Care Coordinator regions.

Beginning with the 2007 allocation, applications for HOPWA funds were submitted by eligible applicants on a three-year renewable funding cycle. In 2010 which is the last year of the three-year cycle, applications will be taken for applicants within the five balance of state care coordinator regions.

Adjustments in the contract amounts will be made each year to reflect changes in the percentage of AIDS cases in each region.

OTHER NARRATIVES AND ATTACHMENTS

Include any action plan information that was not covered by a narrative in any other section. If optional tables are not used, provide comparable information that is required by consolidated plan regulations.

MONITORING

91.330

1. *Describe the standards and procedures the jurisdiction will use to monitor its housing and community development projects and ensure long-term compliance with program requirements and comprehensive planning requirements.*

KHC's Compliance Department is responsible for conducting monitoring review visits on completed HOME projects. KHC reserves the right to conduct a compliance review at any time during the term of the HOME grant. KHC performs additional monitoring of HOME rental projects every one, two or three years based on the number of units in the project.

This review covers four major areas:

- Quality of housing and service
- Financial statement
- Recordkeeping and files
- Adherence to program policies and procedures as detailed in 24 CFR Part 92

After the monitoring review, subrecipients receive a written response to any issues discovered during the review. These issues will be divided into findings (issues which affect program regulations or federal laws) and observations (issues which do not). Subrecipients must respond in writing to all finding within a specified time frame.

Multifamily projects funded with HOME funds are required to submit annual reports throughout the term of affordability. HOME recipients area also required to submit copies of their audited financial statements, conducted in accordance with the Single Audit Act, if they expend more than \$500,000 of federal funds in a fiscal year.

KHC's Compliance Department is responsible for conducting monitoring review visits on closed out HOPWA projects. However, KHC reserves the right to conduct a compliance review at any time during the term of the HOPWA grant.

This review covers four major areas:

- Quality of housing and service
- Financial statement

- Recordkeeping and files
- Adherence to program policies and procedures

After the monitoring review, sub-recipients receive a written response to any issues discussed during the review. These issues will be divided into findings (issues which affect program regulations or federal laws) and observations (issues which do not). Subrecipients must respond in writing to all finding within 30 days.

The SHR department has developed training materials for HOPWA sub-recipients and coordinates training on special topics as needed.

Each year, recipients of HOPWA funding are required to submit annual reports. They must also submit a copy of their annual report audit (if required) to the Audit staff. In addition to the formal compliance monitoring requirements, KHC program staff overseeing the HOPWA funds will also conduct on-site technical assistance visits to sub-grantees. This will allow for one-on-one training of agency staff as well as allow KHC program staff to do a preliminary review of program policies and expenditures. As a second phase to the on-site technical assistance to the agencies, KHC HOPWA staff will also conduct random desk reviews of expenditure documentation prior to releasing requested funds. All sub-grantees will have a minimum of one visit and one desk review during the term of their grant; however, KHC reserves the right to perform additional reviews of any program if concerns exist.

KHC's Compliance Department is responsible for conducting monitoring review visits on closed out ESG projects. However, KHC reserves the right to conduct a compliance review at any time during the term of the ESG grant.

This review covers four major areas:

- Quality of housing and service
- Financial statement
- Recordkeeping and files
- Adherence to program policies and procedures

After the monitoring review, subrecipients receive a written response to any issues discussed during the review. These issues will be divided into findings (issues which affect program regulations or federal laws) and observations (issues which do not). Subrecipients must respond in writing to all finding within 30 days.

The SHR department has developed training manuals for ESG subrecipients and holds day-long training on the requirements of the programs after funding notifications. The SHR department also coordinates training on special topics as needed.

Each year, recipients of ESG funding are required to submit annual reports. They must also submit a copy of their annual report audit (if required) to the Audit staff. In addition to the formal compliance monitoring requirements, KHC program staff overseeing the ESG funds will also conduct on-site technical assistance visits to sub-grantees. This will allow for one-on-one training of agency staff as well as allow KHC program staff to do a preliminary review of program policies and expenditures. As a second phase to the on-site technical assistance to the agencies, KHC ESG staff will also conduct random desk reviews of expenditure documentation prior to releasing requested funds. All sub-grantees will have a minimum of one visit and one desk review during the term of their grant; however, KHC reserves the right to perform additional reviews of any program if concerns exist.

DLG is responsible for conducting monitoring review visits on funded CDBG projects. DLG reserves the right to conduct a compliance review at any time during the term of the CDBG grant. The depth and location of the monitoring will depend upon which compliance areas need to be reviewed at that particular point in a project's life cycle. However, a full scope monitoring of all compliance areas will be conducted at least once for each funded activity. The monitoring review includes acquisition and relocation (if applicable), environmental, contracts, labor standards, fair housing compliance, and financial review.

After the monitoring review, grantees receive a written response to any issues discussed during the review. These issues will be divided into findings (issues which affect program regulations or federal laws) and recommendations (issues which do not). Grantees must respond in writing to all findings within a specified time frame.

CDBG recipients are also required to submit copies of their audited financial statements, conducted in accordance with the Single Audit Act, if they expend more than \$500,000 of federal funds in a fiscal year.