

Kentucky Housing Corporation
Housing Contract Administration Department

Policy Manual:
2023 RHTF Disaster Housing Recovery
For Single-Family Projects in EKY & WKY

Funded by:
EKY & WKY SAFE Funds via Kentucky's Rural Housing Trust Fund

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Notice

This manual serves as a reference for the Kentucky Housing Corporation's administration of its Rural Housing Trust Fund (RHTF) Disaster Recovery for Eastern and Western Kentucky program funded by E. KY and W. KY SAFE Funds through the Rural Housing Trust Fund. KHC program policy manuals are subject to change without notice.

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Separate policy manuals are available for other Housing Contract Administration programs.

Go to the [HCA Partner Agency Portal](https://kyhmis.zendesk.com/home) at <https://kyhmis.zendesk.com/home> to submit a request to the Housing Contract Administration (HCA) Partner Agency Portal if you have questions or need additional assistance with materials within this manual.

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This manual outlines the policies pertaining to home repair/rehab/replacement and single-family homebuyer activities funded by RHTF awards. It is the responsibility of the project developers/subrecipients to read, understand, and comply with these requirements as applicable to each funding source used for the development of a housing unit as well as the documents and notices listed below, as applicable.

- RHTF Requirements (Kentucky Revised Statues 198A.740 to 198A.750)
- 2023 RHTF Disaster Housing Recovery for Single-Family Projects EKY & WKY Policy Manual
- *RHTF Single Family Homebuyer Development Project Set-Up Template*
- *RHTF Home Repair & Recovery Project Set-Up Template*
- The applicant's application for funding
- Grant agreement(s) between the applicant and KHC
- RHTF Administrative Certifications

Definitions

Applicant: Any eligible entity that makes application for funding from Kentucky Housing Corporation for RHTF program funds. Applicant is used to refer to the entity throughout the process until KHC obligates funds to the organization in the form of a funding agreement.

Commit to a specific local project: If the project consists of rehabilitation or new construction (with or without acquisition) and the developer has executed a construction contract where necessary financing has been secured; a budget and schedule have been established; underwriting has been completed; and construction is scheduled to start within twelve months of the written agreement date. Additionally, the project has been set up by KHC in the KHC Performance Management Draw System. RHTF-funded homebuyer and home repair projects will be funded through individual project set ups and governed by the subrecipient grant agreement for the program year.

Developer: The Applicant awarded funds will serve as the developer of homebuyer/home repair housing funded by KHC, where it is either: a) the owner (in fee simple absolute) and developer of new housing that will be constructed or existing substandard housing that will be rehabilitated for sale to low-income households as proposed in its application for funding; or b) the developer for *unlike* replacement housing for owner- occupants of substandard units. Developers will be subrecipients of RHTF funding.

Development Gap Subsidy: In the event the total development costs exceed the appraised value, the housing unit may not sell for more than the appraised value. The difference between the total development costs and the appraised value is the **development gap subsidy**. Development subsidy is only permitted for those developers that undertake homebuyer new construction or acquisition/rehabilitation/resale activities.

Direct Subsidy: The total amount of funding that enabled the home buyer to purchase the dwelling unit is considered the **direct subsidy**. This includes any RHTF assistance that reduces the purchase price from the fair market value to an affordable price but **excludes** development subsidy. Direct subsidy is typically classified as down payment and closing costs assistance.

Homebuyer/Homeowner: The end beneficiary of RHTF assistance to a housing unit. They will own the assisted unit upon completion of the RHTF activities and will occupy the unit as their primary residence for the duration of the affordability period.

Set-up Packet: All paperwork required for submission by KHC so that KHC can approve the start of construction for an activity. The set-up packet includes, but is not limited to, the following: household income verifications, cost estimates, construction start-up notices, environmental reviews, purchase agreement, and the Developer Written Agreement. **The submitted set up packet must include the newest RHTF Single-Family Homebuyer Development Set-Up Packet or 2023 RHTF Home Repair Set-Up Packet (as applicable) Excel workbook downloaded from the HCA Partner Agency Portal at <https://kyhmis.zendesk.com>.**

Public Information and Open Records Act Requests

Applicants are advised that materials contained in applications are subject to the requirements of the Kentucky open records laws at KRS §61.870-61.884 and the application materials may be viewed and copied by any member of the public. Applicants seeking to claim a statutory exemption to disclosure from open records requests, which may be made, must place all documents viewed as confidential in a sealed envelope marked “confidential”. Applicants must be aware that if an open records request is made for any of the application materials, KHC will make an independent determination of confidentiality and may or may not agree with the applicant’s determination regarding the confidentiality of the materials.

General Policies & Requirements
RHTF Disaster Recovery (RHTF) in WKY and EKY

KHC RHTF Disaster Recovery (RHTF)
Program At-a-Glance

<p>Single-Family Homebuyer Development</p>	<p><u>Purpose:</u> To bring new homeownership units to disaster-impacted housing markets to attract and retain moderate and low-income families.</p> <p><u>Eligible Activities:</u></p> <ul style="list-style-type: none"> • Construction of replacement housing for disaster victims on land on which the household did not previously reside. • Construction of spec-built homes not pre-sold before construction. • Land acquisition and construction of new homes outside of the floodplain. • Site-built, factory-built, and modular construction. • Acquisition and rehabilitation of a vacant existing home. • Home may NOT be located in the Special Flood Hazard Area. • Site preparation necessary for home construction/delivery. • Assistance to help a homebuyer purchase an RHTF-funded home. <p>Lease purchase to help buyers unable to immediately obtain mortgages.</p>
<p>Home Repair, Recovery & Reconstruction</p>	<p><u>Purpose:</u> To assist existing homeowners in achieving a housing solution that is disaster resilient, affordable, and sustainable for the household over time.</p> <p><u>Activities:</u></p> <ul style="list-style-type: none"> • Home stabilization via repairs, rehabilitation, or reconstruction. • Home may NOT be located in the Special Flood Hazard Area. • Improvements needed to make a home habitable for a disabled member of the household. • Disaster mitigation measures. • Reconstruction of a home on the owner’s land (original home must be demolished). • Site-built, factory-built, and modular construction. <p>Other recovery housing solutions as approved by KHC.</p>

Program Purposes: RHTF in WKY & EKY

Priorities Set Forth in RHTF Legislation

Per RHTF legislation, priority will be given to projects seeking funding in the following order:

1. Projects located in a federally declared disaster area or projects assisting individual recipients displaced by a federally declared disaster area.
2. Projects submitted by nonprofit organizations or local governments for new rural housing construction.
3. Projects using existing privately owned housing stock, including stock purchased by nonprofit public development agencies.
4. Projects using existing publicly owned housing stock.
5. Projects submitted by local governments for projects that demonstrate effective zoning, conversion, or demolition controls for single room occupancy units.

Additional Priorities Established by the RHTF Advisory Committee

In consultation with the RHTF Advisory Committee, KHC has established additional priorities for projects to be funded for disaster recovery via this NOFA:

1. Projects in FEMA-designated *Most Impacted and Distressed* counties: Barren, Graves, Hopkins, Breathitt, Knott, Letcher, and Perry.
2. Readiness to proceed: site control, existing waiting list for repairs, list of homebuyers.
3. Number of units that will be addressed by the project.
4. Experience in development and/or repair homes for low and moderate-income households.
5. Projects that will house disaster survivors still living in KYEM/FEMA shelter, doubled up with family, or in another unsustainable housing situation, including places unfit for human habitation (such as in the floodplain).
6. Established relationships and mechanisms to ensure a pipeline of flood survivor and new homebuyer referrals, including existing relationships with community organizations, Long Term Recovery groups, and so on.
7. Demonstrated expansion of capacity to develop at scale such as workforce development, **factory-built** homes, modular construction, and so on.
8. Demonstrated financial capacity to carry out larger-scale housing projects.

As required by KRS §198A.746, all funds received are to be used for rural areas of the Commonwealth. To be considered rural, properties must be in areas defined as rural by USDA Rural Development (RD). KHC reserves the right to make funding decisions to meet this requirement. Applicants can determine if a property is in a rural area by accessing the USDA-RD Property Eligibility Site <https://eligibility.sc.egov.usda.gov/eligibility/welcomeAction.do>, "Single Family" and then enter the property address. **A copy of the USDA-RD eligibility determination must be provided with the Project Set-Up.**

Eligible Counties

Geography	Eligible Counties * Indicates counties prioritized for RHTF funding.		
<u>Eastern KY 2021/2022 Flooding Disaster Counties</u> <i>Designated for FEMA Individual Assistance</i> FEMA-4663-DR-KY	Breathitt* Clay Floyd Knott* Lee	Leslie Letcher* Magoffin Martin Owsley	Perry* Pike Whitley
<u>Western KY 2021 Tornado Disaster Counties</u> <i>Designated for FEMA Individual Assistance</i> FEMA-4630-DR-KY	Barren Caldwell Christian Fulton Graves* Hart	Hickman Hopkins* Logan Lyon Marion	Marshall Muhlenberg Ohio Taylor Warren*

Eligible Applicants

To be eligible to participate in the RHTF programs, an applicant must be deemed to be in good standing by the Secretary of State of the Commonwealth of Kentucky and Kentucky Revised Statutes (KRS §198A.700 to §198A.730). Once awarded funds, all developers must follow the requirements of KRS §198A.700 to §198A.730; the RHTF Disaster Housing Recovery for Single-Family Projects in EKY and WKY policy manual; the RHTF grant agreement; and applicable Mortgagee Letters. An eligible applicant must also have at least one full-time employee.

Eligible Applicants

- Nonprofit housing organizations
- Local governments
- Private, for-profit developers and businesses that undertake the new construction or rehabilitation of rural housing units for moderate income individuals
- Public Housing Authorities

NOTE: Organizations should only apply if they themselves will develop affordable single-family homes and/or repair existing owner-occupied homes with KHC funds. KHC will NOT award funds to intermediary subrecipients.

Capacity

KHC will assess the capacity of the applicant to complete the development process and the applicant's fiscal soundness to ensure they have adequate resources and liquidity to make it through the development process and get the project completed.

Maximum Funding Requests

KHC limits the amount of funds an applicant may request.

KHC reserves the right to award lesser or greater amounts than requested. This determination may be based on such factors as the capacity of the applicant or administrator, a project’s readiness to proceed, the number of applications received, geographic distribution of funds, and any other factors that KHC deems appropriate and necessary.

Funding Awards

KHC will competitively award funding for RHTF Disaster Housing Recovery for Single-Family Projects to eligible applicants via competitive application processes governed by a Notifications of Funding Availability (NOFA). RHTF funds will be awarded through a subrecipient grant agreement that permits recipients to submit project set-ups for individual housing units and request release of funds for those individual units. NOTE: RHTF funds will be made available via competitive NOFAs until fully committed. If funds are fully committed via the first NOFA, KHC will not hold subsequent competitions.

Prohibition on Combining RHTF Funds with HOME and/or AHTF in a Specific Local Project

If an eligible applicant is awarded both HOME, Affordable Housing Trust Fund, and RHTF via the annual competitive allocation, those projects must not combined with RHTF in a specific local activity.

Obligation of Funding Commitments

KHC will only commit funds to a specific local project (typically a single unit) when the project has secured all the financing necessary to complete the project, established a budget and schedule for construction, completed underwriting and subsidy layering, and submitted a complete *RHTF Single-Family Homebuyer Development Set-Up Packet* or *2023 RHTF Home Repair Set Up Packet* (as applicable)¹ or with all necessary supporting documentation.

The schedule for construction must include timelines for each of the following phases:

New Construction/ Re-construction	Footing (post-excavation and before concrete is poured) Interim (between wall insulation and drywall) Completion (100% complete, prior to move in)
Repair/Rehabilitation	Under roof/weatherization Interim (between wall insulation and drywall) Completion (100% complete, including waste removal)

¹ Download and complete the newest *RHTF Set-Up/PCR Packets* from the HCA Partner Agency Portal at <https://kyhmis.zendesk.com>

KHC requires that developers/subrecipients have all funds committed and expended according to the terms established in the grant agreement for RHTF-funded projects. Commitment means that the subrecipient received a release of funds from KHC for a specific local project.

A *RHTF Single-Family Homebuyer Development Set-Up Packet* or *2023 RHTF Home Repair Set Up Packet* (as applicable)² with all necessary supporting documentation must be submitted to KHC prior to release of funds for all homebuyer/homeowner activities.

KHC may award additional funds to developers/subrecipients who wish to continue projects within the same activity for which they were previously funded and who are using the same project design, provided the applicant has been monitored by KHC and no significant monitoring issues have been identified nor findings made.

Activity Set-up Requirements

The developer must submit a complete *RHTF Single-Family Homebuyer Development Set-Up Packet* or *2023 RHTF Home Repair Set Up Packet* (as applicable) with all required supporting documentation for each specific local project to HCA at hcadev@kyhousing.org at least **three weeks prior to the start of construction**.

Note: Developers may not begin construction on any unit until the project has been approved by HCA program staff as demonstrated by the receipt of an activity number and a release of funds email. Any unit started (defined as any on-site construction activity) before approval by KHC may make the unit ineligible for KHC assistance and could affect future funding.

De-obligation of Funding Commitment

Furthermore, KHC reserves the right to:

- Withdraw its conditional funding commitment if technical submission items are not submitted by the applicant by the date referenced in the commitment letter.
- De-obligate funds if funds are not committed and/or expended and construction completed by the dates referenced in the funding agreement, or if the project substantially changes after funding commitment.
- Periodically review the developer's progress toward timely commitment and expenditure of the RHTF allocation. If KHC determines that the project is no longer feasible or is not progressing at a rate where the imposed deadlines will be met, funds may be de-obligated.
- De-obligate funds from any developer who becomes suspended or debarred in accordance with KHC's Suspension and Debarment Policy.
- De-obligate funds if the developer has not met the commitment and expenditure deadlines as referenced in the funding agreement. However, KHC reserves the right to extend the date if extenuating circumstances prevented the commitment. KHC's goal is to ensure timely use of RHTF dollars to best meet the needs of disaster-affected communities.
- Reallocate funds to another eligible project, if KHC de-obligates funds or has funds uncommitted.

² Download and complete the newest *RHTF Set-Up/PCR Packets* from the HCA Partner Agency Portal at <https://kyhmis.zendesk.com>

Eligible Household Income Limits

The income limit is the **greater** of either 120% of Kentucky's state median family income **OR** 120% of area median income. RHTF income limits will be published annually on the HCA Partner Agency Portal.

Maximum Household Income	Source of Income Limits
The greater of either: 120% of Kentucky's state median family income OR 120% of HUD area median income for the county	Published by HUD. Listed on KHC's Partner Agency Portal .

Eligible Beneficiaries: RHTF

Eligible Beneficiaries of RHTF

All program beneficiaries must:

- Be Kentucky residents;
- Occupy the property as a principal residence; and
- Be moderate-income; that is, have an annual (gross) income that does not exceed 120 percent of median income for the county in which the household resides for the county in which the household resides or 120% of the median for the Commonwealth of Kentucky, whichever is higher. These income limits are available on the HCA Partner Agency Portal (<https://kyhmis.zendesk.com>). The [HUD CPD Income Calculator](#)⁹ can be used to document RHTF eligibility.

KHC updates RHATF Income limits each spring, using HUD's income limits as a basis. Updated income limits will be announced via KHC eGram and updates will be included in the RHTF Set-Up Packet.

Income Documentation and Determination (24 CFR §92.203)

The census long-form definition of income has been eliminated. KHC requires that the 24 CFR Part 5 method be used to define income eligibility. When a developer does an income determination to use in determining the eligibility of an applicant for RHTF assistance, it must include at least two months of income documentation. KHC does not allow "grossing up" non-taxable income for determining ratios.

Income Verification

All households assisted must be income-eligible based on the anticipated gross income as determined by the Section 8 method ([24 CFR Part 5](#)) of income determination. The income of the applicant includes all household income and the actual or imputed income from assets of all household members. Imputed asset income must be determined using the current passbook savings rate, as published by HUD.

For projects assisting existing homeowners and homebuyer projects where the buyer has been identified prior to construction, income and asset verifications are valid for 180 days prior to the developer's submission of the Project Set Up to KHC. If more than 180 days elapse after the income verification for a household is completed, but before KHC grants release of RHTF funds for a specific local project, the developer must re-verify all household income and assets using the Section 8 method.

If a developer has not identified a homebuyer prior to submission of project set up for a unit to be developed, the developer must verify the homebuyer's income prior to closing. The developer must submit a revised *RHTF Single-Family Homebuyer Development Set-Up Packet* with the "5) Buyer Income" worksheet completed to hcaddev@kyhousing.org at least **3 weeks prior to closing** along with completed RHTF closing documents (RHTF mortgage and note), and terms of private homebuyer mortgage(s) and note(s) for review and approval by KHC.

When determining income eligibility, at least 2 months' worth of source documentation must be reviewed. The income of ALL adults (18 and over) household members must be counted. The [HUD CPD Income Calculator](#)³ is a tool that developers can use to help accurately document income.

Homeownership Definition

- Homeownership is defined as fee simple title (title must be clear and free from defects), or a 99-year leasehold interest in a one- to four-unit dwelling, or equivalent form of ownership approved by KHC.
- Inherited property with multiple owners, life estates, inter vivos trust, living trusts, and beneficiary deeds are all considered eligible forms of ownership.
- Ownership must be proven and title searches must be completed prior to the investment of RHTF. NOTE: Property assisted with RHTF will not be eligible for additional assistance during the 10-year affordability period.
- Land contracts and Contracts for Deed **are not** an eligible form of ownership.

Duplication of Benefits

All developers need to establish a process to analyze duplication of benefits to include the total amount of awards (federal, state, insurance, and other private, non-subsidized payments) and the total remaining in available balances. Available balances must be contributed to the project for the purchase, which will reduce either the first mortgage or RHTF direct subsidy needed. Developers will need to document sources of awards, amounts, and uses to ensure the total amount of awards and confirm remaining balances; however, any spent or misspent funds will not adversely affect the RHTF award amount. (If developers have questions about duplication of benefits and what qualifies, contact KHC.)

The developer must complete the "Duplication of Benefits Analysis" section of the appropriate RHTF Project Set Up.⁴ Documentation of disaster benefits received by a household must be submitted with the RHTF Project Set Up. **Unspent benefits must be accounted for in the RHTF Project Set Up as a source contributing to the total project cost.**

Fair Housing, Equal Access and Affirmative Marketing Requirements

Developers must comply with all Fair Housing requirements, including:

- [Equal Access to Housing in HUD Programs Regardless of Sexual Orientation or Gender Identity](#)

³ <https://www.hudexchange.info/incomecalculator/>

⁴ Found on the "4) Buyer Affordability" worksheet of the *RHTF Single-Family Homebuyer Development Set-Up Packet* and the "3) Sources and Uses" work sheet of the *RHTF Home Repair Set-Up Packet*
KHC RHTF for Single-Family Disaster Recovery Projects in EKY & WKY Projects

- (2012 Equal Access Rule) and
- [Equal Access in Accordance with an Individual's Gender Identity in Community Planning and Development Programs](#) (2016 Equal Access Rule)

To be eligible, agencies must be able to satisfactorily address the impediments to fair housing. These impediments are defined in Kentucky Housing Corporation's document entitled [2019 Analysis of Impediments to Fair Housing Choice](#). Developers shall not discriminate or deny assistance to any person because of race, religion, age, sex, sexual orientation, gender identity, national origin, familial status, marital status, disability, or actual or perceived sexual orientation or gender identity.

KHC requires that RHTF-funded projects comply with Affirmative Marketing requirements and procedures established by the US Department of Housing and Urban Development HOME Investment Partnerships program, as outlined in 24 CFR Part 92.351.

Home Buyer Counseling & Estate Planning

Home buyer counseling and estate planning is **required** for all home buyers receiving or purchasing a unit developed with RHTF.

Counseling and Estate Planning Costs

Counseling and estate planning costs (not to exceed \$2,000 combined) may be charged:

- as a project-related soft cost; or
- to the homebuyer, if the fee is reasonable.

KHC has not set a policy on the number of hours or length of such counseling but may review each application for reasonableness as a part of the application process. Estate planning must result in a will, trust, or similar document. Certification, signed by counselor or developer and homebuyer/homeowner that estate planning was completed.

Counseling Provider

The developer may determine the provider (KHC or HUD-approved counseling agency, or other provider), content, and length of the counseling. The counseling curriculum must prepare homebuyers for not only the process of purchasing the home but also for budgeting, maintaining the home, and everything else during the affordability period. Counseling may be provided by a HUD-approved online provider.

KHC recommends, but does not require, that all counseling components meet the current National Industry Standards for Homeownership Education and Counseling. The current voluntary national standards can be found at www.homeownershipstandards.com.

Information about KHC's post-purchase education is available on KHC's website at <https://www.kyhousing.org/Homeownership/Future-Homebuyers/Pages/Housing-Counseling-and-Education.aspx>.

RHTF Range of Uses, Funding Limits, and Affordability Terms

Activity Type	Eligible Households (≤120% AMI)	Maximum Permanent RHTF Funding (Development Gap + Homeowner Subsidy)	KHC Design Requirement	Affordability Requirement
Home Repair (HR)		Up to \$60,000	Minimum Habitability Standards	10-year deed restriction
Full Code Rehab (HB)	Disaster Survivors	\$60,001 – \$99,999	Full Building Code	10-year deed restriction + Mortgage/note in the amount of direct subsidy to the homeowner/homebuyer

Other Requirements

Audits

Audits of developers will be conducted in accordance with 2 CFR Part 200.

Recordkeeping

- Developers must maintain sufficient records to enable KHC to determine whether the developer has met the requirements in grant agreement requirements for projects. At a minimum, the following records will be required:
 - Program records;
 - Project records;
 - Financial records;
 - Program administration records
- **Record Retention for RHTF-funded Activities.** All records pertaining to each fiscal year of funds must be retained for 5 years, with the following exceptions:
 - For homeownership housing projects, records may be retained for five years after the project completion date, except for documents imposing recapture/resale restrictions which must be retained for five years after the affordability period terminates.
 - Written agreements must be retained for five years after the agreement terminates.
 - Records covering displacements and acquisition must be retained for five years after the date by which all persons displaced from the property and all persons whose property is acquired for the project have received the final payment to which they are entitled.
 - If any litigation, claim, negotiation, audit, monitoring, inspection, or other action has been started before the expiration of the required record retention period; records must be retained until completion of the action and resolution of all issues which arise from it, or

until the end of the required period, whichever is later.

Conflict of Interest

All developers, regardless of funding source awarded, must establish a Conflict-of-Interest Policy.

Potential conflicts of interest may arise from many situations. Some of the more common examples are:

- Requests for program assistance from employees or families of employees
- Developers contracting with or procuring materials from employees or family members of employees

All developers are responsible for identifying situations in which a conflict of interest, whether real or perceived, may exist. If a conflict of interest is identified, the developer must request an exemption by emailing hcadev@kyhousing.org.

Developers must immediately **report** to KHC any real, potential, or perceived conflict of interest, as applicable, regarding the receipt of, assistance provided with, or expenditure of RHTF. For example, a potential or perceived conflict of interest may exist when a relative (sibling, cousin, parent, etc.) of the developer's staff applies for housing assistance through an RHTF-assisted program or in an RHTF-assisted property. For additional guidance on how to identify, refer to HUD's Integrity Bulletins at <https://www.hudexchange.info/resource/5065/hud-integrity-bulletins/>.

Data Breach

In the event of a data breach, the developer will notify KHC in the most expedient manner possible, and without unreasonable delay, but in no event later than seventy-two (72) hours from the determination of a security breach relating to the data in developer's possession. Developer agrees to comply with all provisions of KRS 61.932, including that the developer shall implement, maintain, and update security and breach investigation procedures which are appropriate to the nature of the information disclosed, at least as stringent as the security and breach investigations procedures and practices in KRS 61.932(1), and reasonably designed to protect the data from unauthorized access, use, modification, disclosure, manipulation, or destruction. On the event of a developer committing an unauthorized disclosure of data listed in KRS 61.932(1)(a) through (f), developers shall provide to KHC a copy of all reports and investigations relating to such investigations or notifications that are required by federal law or regulation.

Part 1: Single-Family Homebuyer Development

Eligible Activities: KHC RHTF Disaster Recovery Program

At-a-Glance:

RHTF Single Family Development

Purpose	To bring new homeownership units that meet KHC Design Guidelines to disaster-impacted housing markets to attract and retain moderate and low-income families.
Eligible Households	<ul style="list-style-type: none"> Homebuyers with combined household income <120% AMI. Homeowners must acquire ownership interest in the land and the home. Housing-to -income ratio must fall between 10% and 29%.
Eligible Properties	<ul style="list-style-type: none"> Single-family homes and qualified manufactured homes. Home must be the homeowner or homebuyer’s primary residence. Home may NOT be built or rehabbed in the Special Flood Hazard Area (SFHA).
Geography	<ul style="list-style-type: none"> Rural areas of Kentucky, per the USDA property eligibility lookup webpage. Counties designated for FEMA Individual Assistance in the following disasters: FEMA-4663-DR-KY and FEMA-4630-DR-KY.
Max Assistance	<ul style="list-style-type: none"> A maximum of \$120,000 can be permanently invested in a home. This maximum includes the sum of affordability gap funding + development gap funding RHTF funds must be used to fill gaps—not to duplicate other available funds. RHTF can be used to finance 100% construction/development costs, but the amount of funds not recycled/repaid must only subsidize documented project gaps.
Disaster Mitigation	To mitigate the impact of future disasters on assisted households, RHTF project must include mitigation specific to the recent disaster. For example, fortified roofs may be required in WKY and building outside of the floodplain will be mandated in EKY.
Eligible Activities	<ul style="list-style-type: none"> Home Construction that Meets <i>KHC Design Guidelines</i>. Construction of replacement housing for disaster victims on land on which the household did not previously reside. Cost may include demolition of original home. Construction of spec-built homes not pre-sold before construction. Land acquisition and construction of new homes outside of the floodplain. Site-built, factory-built, and modular construction are all eligible. Acquisition and rehabilitation of a vacant existing home. Site preparation necessary for home construction/delivery. Assistance to help a homebuyer purchase an RHTF-funded home. Lease purchase is allowable to help buyers unable to immediately obtain mortgages.
Assistance Form/Term	10 years enforced via deed restriction and a mortgage forgiven incrementally each year. (Forgivable mortgage is only for amount of direct assistance to buyer.)
Eligible Applicants/Developers	Private nonprofit and for-profit developers, other nonprofit organizations, units of local government; regional or statewide housing-assistance organizations; and Public Housing Authorities in good standing with both the Commonwealth and KHC.
Per Unit Developer Fee	If acting as a developer or contractor, the developer/builder may earn a fee upon completion of the home equal to the lesser of 20% of total project costs up to a maximum of \$20,000.
Forms & Templates	HCA Partner Agency Portal , KHC Single Family Homebuyer Set Up Template, RHTF

Activities Eligible for Single Family Development Funding

KHC strives to maintain a great deal of flexibility in how the funds can be utilized to maximize the opportunities to create or maintain affordable housing of all types across Kentucky. The following project types may be eligible for the following:

- Home Construction that meets *KHC Design Guidelines*:
- Construction of replacement housing for disaster victims on land on which the household did not previously reside.
- Construction of spec-built homes not pre-sold before construction.
- Land acquisition and construction of new homes outside of the floodplain.
- Site-built, factory-built, and modular construction are all eligible.
- Acquisition and rehabilitation of a vacant existing home.
- Site preparation necessary for home construction/delivery.
- Assistance to help a homebuyer purchase an RHTF-funded home.
- Lease purchase is allowable to help buyers unable to immediately obtain mortgages.

NOTE: KHC will not allow funds to support administrative costs for single-family development. Such costs should be supported via Developer Fees and/or Builder's Overhead/Profit + General Requirements line items in the RHTF Single-Family Homebuyer Development Set-Up Packet² "2) TDC" tab submitted for each specific local project.

Direct Subsidy for Single-Family Homebuyer Construction Projects without Construction Financing

As stated in the "Ineligible Activities" section below, "down payment, closing costs, and/or principal reduction for the acquisition of a unit not constructed or rehabilitated by the developer under this funding cycle" is an ineligible activity. In some single-family homebuyer new construction or acquisition/rehabilitation/resale projects, the appraised value/sales price exceeds the total development cost and no construction development gap financing is necessary. In these cases, the developer can request only down payment assistance (direct subsidy) for a homebuyer development project without requesting RHTF interim construction financing. The Project Summary in the **RHTF Single-Family Homebuyer Development Set-Up Packet²** for such projects should clearly state that only direct subsidy is necessary for the sale of the newly constructed (or rehabilitated) home as market conditions do not necessitate development gap financing. ***KHC will not permit stand-alone RHTF down payment assistance funding for units not developed with RHTF construction financing.***

Owner-Occupied Replacement Housing- RHTF

KHC will allow developers to replace substandard, owner-occupied housing units⁵ with **stick-built housing constructed on site or modular housing constructed remotely and assembled on site as an eligible homebuyer new construction activity without property acquisition.** In these cases, the developer will build housing on property currently owned by the household that will occupy the housing upon completion.

In this scenario, the developer may want to consider acquiring the property for a nominal fee during construction to minimize developer financial risk, but it is at the developer's discretion. If the developer

⁵ Units failing to meet KHC Habitability Standards and manufactured housing units constructed before 1976.

chooses to acquire the property during construction, it should be for the nominal fee of one dollar (\$1.00) and the property seller and the developer must execute the *Certification of Seller and Developer for Land Acquisition Below Appraised Value* located on the HCA Partner Agency Portal (<https://kyhmis.zendesk.com/>) NOTE: In such a case DO NOT enter the value of the donated land in the Building & Property Acquisition section of the *RHTF Single-Family Homebuyer Development Set-Up Packet*² “2) TDC” tab submitted for the specific local project. If the land is donated, it may be entered as a subsidy under the “4) Buyer Affordability Tab” of the Set-Up Packet.

The assisted household must document ownership of both the land and the housing unit to be replaced prior to contracting for the development of the replacement housing with the developer. The assisted household must also obtain permanent financing for the replacement housing prior to funding release. The developer should underwrite the development of replacement housing as it would any other homebuyer new construction project without land acquisition costs. RHTF funding can provide direct subsidy to the homeowner to offset the difference between other grant and loan funds available to the homeowner and the appraised value of the replacement housing. RHTF funds that are a direct subsidy to the homeowner must be secured as noted in the “Collateral” section of this document. The difference between the appraised value of the replacement housing and total development costs can be offset as RHTF development gap funding. The project set up for such replacement housing must be fully documented using the newest *RHTF Single-Family Homebuyer Development Set-Up Packet*² with all required supporting documentation.

KHC will not permit owner-occupied replacement housing projects located in a FEMA Special Flood Hazard Area.

Single-Family Development Projects where a Relative or Friend of Homebuyer Provides Land for Development

In cases where a prospective homebuyer has been gifted vacant land where the home will be newly constructed, the developer must take title to the property prior to construction. In these cases where the acquisition of the property is not an “arms-length” transaction, the developer should acquire the property for the nominal fee of one dollar (\$1.00) and the property seller and the developer must execute *the Certification of Seller and Developer for Land Acquisition Below Appraised Value* located on the HCA Partner Agency Portal (<https://kyhmis.zendesk.com/>) under “Homebuyer Development (HOME/RHTF)/Single-Family Homebuyer Development Program-Related Tools and Documents.” **NOTE: In such a case DO NOT enter the value of the donated land in the Building & Property Acquisition section of the RHTF Single-Family Homebuyer Development Set-Up Packet “2) TDC” tab submitted for the specific local project. If the land is donated, it may be entered as a subsidy under the “4) Buyer Affordability Tab” of the Set-Up Packet.**

Additional Considerations

- Acquisition of vacant land or demolition must be undertaken only with respect to a housing project intended to provide affordable housing. Note: the use of funds must result in a unit of affordable housing. Land acquisition or demolition that does not result in a unit of affordable housing is ineligible.
- If the project proposes demolition and reconstruction, the dilapidated structure must be demolished. In the event of a mobile home replacement, the dilapidated mobile home must be demolished or salvaged (a salvage title must be obtained) and the salvage value should be

reinvested into the new unit. For all demolition and reconstruction projects, a demolition agreement must be executed with the property owner.

- Developers are responsible for ensuring that housing units are properly insured during the construction and/or rehabilitation process. Developers must also ensure that the assisted property remains insured throughout the affordability period.
- For all properties assisted with RHTF, the homeowner must maintain all risk, fire, and extended insurance coverage, in form and with companies acceptable to the developer, for each homebuyer activity, in an amount not less than the investment in the property. Each policy must include appropriate loss payable clauses in favor of Kentucky Housing Corporation, as beneficiary, and without right of cancellation or change except upon thirty (30) days' written notice to developer. Homeowner will deliver proof of all insurance to the developer at closing and via subsequent verifications of occupancy status.
- For spec housing or townhomes, KHC will allow set-ups without income information or homebuyers' names. Partners need to place the Lot Numbers or addresses in the name section and leave the income tab blank. For the affordability tab, use average mortgage amounts and direct subsidy amounts. Once buyers are identified, the setups can be revised.
- Manufactured housing.
 - RHTF dollars may be used to purchase and/or rehabilitate a manufactured housing unit or purchase the land where a manufactured housing unit is located. Any manufactured unit must, at project completion, be on a permanent foundation, be connected to permanent utility hook-ups, and be located on land that is owned by the manufactured housing unit owner or land for which the manufactured housing owner has a lease for a period at least equivalent to the applicable period of affordability.
 - Manufactured housing must meet all applicable state and local construction standards, the HUD Manufactured Home Construction and Safety Standards, and the HUD Manufactured Housing Installation Standards. The real property on which the manufactured home is located must also meet all zoning requirements.
 - A manufactured home that is built on a chassis (as opposed to modular housing, which is constructed off site and delivered by truck) is issued a motor vehicle title. Recording a mortgage against the real property to secure a loan does not automatically secure the home in these cases. Recording a mortgage and a motor vehicle lien protects the lien. Alternatively, provided the manufactured home is permanently attached to a foundation (with axles and towing gear removed), the developer and homeowner may surrender the Kentucky Certificate of Title and file an Affidavit of Conversion to Real Estate with the county clerk in the county where the property is located. By doing this, a mortgage is the only lien required. The manufactured home becomes "real property" instead of "personal property."

Ineligible Activities

- Finished basements. Partially finished basements may be permitted on a case-by-case basis if the existing topography of the site would yield a sub-surface area large enough to be usable by the assisted household. This activity would require prior approval.
- Luxury items including but not limited to:
 - Swimming pools.

- Fences (other than those required for security).
- Television satellite dishes.
- Any upgrades (see definition below) not approved with through the waiver process and included in plans and specifications.
- Non-essential landscaping (unless installed as part of a green building design) and other yard or nonstructural improvements.
- Rehabilitation of accessory structures, unless specifically authorized by KHC for health and safety reasons.
- Additional rooms, except to comply with Kentucky Residential Code.
- Rehabilitation damaging to the historical character or value of a structure as determined by the State Historic Preservation Office of the Kentucky Heritage Commission.
- Refinancing of existing debt.
- RHTF assistance of less than \$1,000.
- Down payment, closing costs, and/or principal reduction for the acquisition a unit not constructed or rehabilitated by the developer under this funding cycle.
- Payment of delinquent taxes, fees, or charges on properties.

Note: Upgrades may be approved by KHC, but developers have sole discretion to choose whether they will allow upgrades. If offered, a specific upgrade policy must be established in the developer's written homebuyer program policies and procedures. KHC will approve upgrades on a unit-by-unit basis if requested via KHC's online waiver system.

To submit an upgrade for consideration of approval, developers must include the upgrade in revised plans and specifications, which must then be submitted to KHC's Design and Construction Review department for approval. The online upgrade waiver request for a specific unit must describe the upgrades, price differences, how the upgrades will be funded, and include the developer's written program procedures for upgrades. The project set up must incorporate upgrade costs in the Total Development Costs worksheet of the RHTF Single-Family Homebuyer Development Set-Up Packet.

Upgrades are defined as the following:

- Garages, unless required by a neighborhood or subdivision covenant, or are an existing attached structure.
- Upgrades to surfaces, furnishings, fixtures, appliances, materials, etc. that are beyond the minimum needed to meet Minimum Design Standards.
Examples of upgrades, may include but are not limited to the following:
 - Granite countertops
 - Custom cabinets
 - Wood flooring
 - Tiled shower
 - Jacuzzi tub (tub with jets)
 - Stainless steel smart refrigerator
 - Wood or brick siding

Construction Requirements

All construction must comply with all applicable KHC design and construction standards at <http://www.kyhousing.org/Development/Pages/Design-and-Construction.aspx>, along with building and residential codes adopted by the Commonwealth of Kentucky. Information for purchasing adopted codes and standards is available through the Kentucky Department of Housing, Buildings, and Construction web site at <http://dhbc.ky.gov/bce/bc/Pages/default.aspx>.

Construction Management

- Developers must develop construction management procedures that outline contract provisions for the contractor and subcontractors, payment requests, forms to be completed, inspection procedures, and project completion procedures.
- Developers must establish and maintain a current listing of qualified contractors based on experience (unless the developer utilizes only in-house crews) who are interested in doing new construction and/or rehabilitation work. At a minimum, agencies should annually advertise a request for qualifications. Every effort must be made to ensure that the bidding is fair and open.
- A full work write-up with line-item cost estimates must be submitted to KHC as part of the newest *RHTF Single-Family Homebuyer Development Set-Up Packet*.²
- KHC will determine the feasibility and cost reasonableness of the project prior to project approval.
- All variances from KHC's design and construction standards must be submitted to KHC prior to project set-up. KHC will determine the feasibility of the variance and issue a written response to any variance request.
- Contractors hired by the developer must submit a request for payment with lien waivers and

affidavits to the developer with each pay request. The developer must inspect the property to determine that the work completed is valued at an amount equal to the progress payment requested. If the work completed is not in compliance, it is the responsibility of the developer to obtain appropriate corrective action from the contractor before requesting payment from KHC. The contractor must be notified at the time of inspection of any necessary corrective action to enable the developer to make a progress payment. This notification must be included in the case file.

- Housing that is newly constructed with RHTF must be constructed as to mitigate the impact of potential disasters (e.g., earthquakes, floods, wildfires) in accordance with state and local laws.
- Fortified roofs are a construction requirement for RHTF units.
- Newly constructed units must receive a HERS rating of 55 or below to be eligible for RHTF assistance.

Change Orders

Any changes in the approved plans and scope of work must be approved by a KHC construction specialist before the change of work scope occurs. Proposed changes should be submitted to KHC in the form of a

detailed Change Order submitted on proper forms and executed by all parties. Change Orders must be approved by KHC prior to beginning the work and include the Change Order amount in the Draw Request.

Construction Contingency

KHC mandates that developers to incorporate a 5 percent to 7.5 percent construction contingency for new construction projects and a 7.5 percent to 10 percent construction contingency for rehabilitation projects. This is to be calculated as a percentage of the total construction costs budgeted for each specific local project. However, if a construction contingency is added to the cost estimate, it should not be considered an automatic project cost. Construction contingency is designed to help developers pay for unforeseen cost overages. Uses of construction contingency must be documented via change orders. If the amount budgeted for construction contingency on a unit is insufficient to meet the cost overage, **the developer must then use their developer fee to meet these costs before requesting additional funds from KHC.**

Inspections

All homebuyer units funded by KHC must be inspected by KHC staff, regardless of funding source. Units are to be inspected for code compliance as well as reviewed to meet all KHC design requirements. Inspection reports for all project units must be kept on file by the developer. Developers shall provide to KHC representatives the final inspection report with the close-out documentation.

The schedule for construction must include timelines for each of the following phases:

New construction units selected by KHC for inspection will be inspected a minimum of three times each. For new construction, these inspections will be at the following stages:

- Footing (after excavation of footings and before footing concrete is poured)
- Interim (any time between completion of wall insulation and hanging of drywall)
- Completion (100% complete including landscaping and site work and before move-in)

Rehabilitation units selected for inspection will be inspected a minimum of one time each. Rehabilitation project units will, based on the work scope of the project, be inspected at the following stages as applicable: (Contact your KHC Construction Specialist for guidance.)

- Under-roof/weatherization
- Interim (any time between completion of wall insulation and hanging of drywall)
- Completion (100% complete, including removal of waste materials)

NOTE: The inspection stages and percentage of work completed may not directly correspond to the percentage of KHC funds that may be requested.

NOTE: A representative from the developer must attend each inspection.

All developers must enter into a Memorandum of Agreement (MOA) with KHC governing inspections for homes funded under this cycle. The MOA template can be found on the [HCA Partner Agency Portal](#) under “KHC Inspections.” All inspection costs should be included in the Total Development Costs budget for each unit provided on the “TDC” tab of the newest Set-Up/PCR Packet. Specifically, charges for KHC inspections should be included on the “Inspection & Draw Fees” line item of the “Carrying and Financing Costs” section of the “2) TDC” tab of the *RHTF Single-Family Homebuyer Development Set-Up Packet*.²

Per the MOA, the cost for inspections shall be per the following schedule:

Footing Inspection (all excavation complete; all steel properly in place; all from work complete)	\$250
Rehab Inspection (per unit) ⁶	\$250
Rough-In/Pre-Drywall Inspection (rough in mechanical, electrical, plumbing, and wall insulation complete) ⁷	\$275
Final Inspection	\$275
Onsite Re-Inspection	\$250
Re-Inspection via Electronic Document Review (may be performed in lieu of onsite re-inspection at KHC's discretion)	\$120
Plan, Specification, Energy, and Modification Review for Rural Development	\$60
Third Party Repair/Habitability Inspection	\$250

KHC will charge the "Onsite Re-Inspection" fee of \$250 under the following circumstances:

- Units on which a KHC inspector must perform more than one final inspection due to the project not being 100% complete.
- Failure by the developer to provide a representative on the project site during the inspection to provide access.
- Unsuccessful attempts due to the developer not coordinating the inspection with other involved parties which renders the unit inaccessible for inspection.
- A hazard exists on the project site at the time of inspection which endangers the welfare of the inspector. Examples: insect infestation, poisonous snake infestation, uncontrolled animals, etc.

The reinspection fee must be paid to KHC prior to any additional funds being drawn from KHC. This fee cannot be paid using RHTF. A re-inspection fee will not be charged for follow-up inspections to verify correction of deficiencies observed during any inspection.

Draw Requests

KHC will allow a maximum of three draw requests per unit for home buyer projects. (In extenuating circumstances, KHC may allow additional draws.) Each draw request must be approved by a KHC construction specialist. Draw amounts should be proportionate to the percentage of completion of the unit and represent only incurred costs that can be documented. The first two draws must not exceed 90% of KHC funding to ensure a 10 percent retainage is held. KHC reserves the right to reduce any draw that is requesting excessive funds compared to the percentage of construction completed at the unit.

At completion of each unit, the developer may submit a final draw to KHC, **which must be done within 90 days of the unit closing**. No funds will be paid by KHC on a unit deemed non-compliant of any applicable code or KHC standard by a KHC Construction Specialist. The final draw request must also include required closeout documentation, including completed PCR tabs from the *RHTF Single-Family Homebuyer*

⁶ Should Developer desire inspection of rough-in work in connection with a rehab inspection, Developer shall notify KHC before such work is covered. An additional requested final inspection will require an additional Rehab inspection fee.

⁷ Prior to KHC performing a rough-in or final inspection, electrical, plumbing and HVAC inspections must be completed by a Kentucky licensed inspector having jurisdiction.

Eligible Costs for Funds

- **Project costs.** RHTF funds may be used to pay development hard costs, acquisition costs, related soft costs (including architectural, engineering, or related professional services if incurred not more than 24 months before the commitment of RHTF if the Funding Agreement expressly permits these costs). NOTE: KHC does not allow for refinancing costs.

Homeowner/Homebuyer Protections

Each developer must develop and utilize a standard program application form that must be completed by each household. If necessary, the developer will provide assistance in preparing the form; especially to the elderly, disabled, non-English speaking persons, and persons who are unable to read or write. **A Uniform Residential Loan Application is not considered a program application for the purposes of this program.**

All households deemed ineligible for assistance must be notified in writing of such determination and the reasons for such determination. The household should also be notified of other potential resources in rehabilitating or acquiring the property for which the household may be eligible and where to apply for such assistance.

Developers should document their efforts to ensure clients are complying with the requirements of the mortgage, loan agreement, promissory note, and deed restriction (as applicable). The Program requires the assisted household occupy the assisted property as its principal residence during the applicable affordability period as do deed restrictions for RHTF-assisted homebuyer activities. Developers should also outline the steps they will take to ensure compliance with the requirements set forth in their application and funding agreement(s).

Closing documents must be prepared in compliance with all applicable federal and state lending protection requirements and given to each household assisted with amortized or forgivable loan funds given to each household assisted with amortized or forgivable loan funds. KHC Mortgage and Note templates must be used and are available on the Rural Housing Trust Fund section of the [HCA Partner Agency Portal](#). Closing

documents must be submitted to hcadev@kyhousing.org for review by the KHC Legal Department at least three weeks prior to closing.

A Right of Rescission statement must be given to all households assisted in home buyer projects in which the assisted household owns the lot.

Written Underwriting Standards

Sustainable Homeownership Responsible Lending [24 C.F.R. §92.254(f)]

KHC's goal is to ensure the sustainability of the homeownership situation for the low-income buyer over time. Underwriting standards for the homebuyer should consider housing debt, total debt, household's recurring expenses, and assets that are available for the purchase. KHC will require every KHC-assisted homebuyer to have a minimum of \$250 in cash reserves at the time the loan is closed. Not all homebuyers will receive the same amount of assistance. RHTF assistance should be based on individual household need.

KHC will examine the terms of **all** private mortgages that homebuyers secure (homebuyers who are

receiving, for example, down payment assistance or buying a property) to ensure the terms of the loan are reasonable and sustainable. If the private mortgages contain terms and conditions that are predatory or harmful to the homebuyer or homeowner (such as excessive fees or interest rates, balloon payments, adjustable interest rates, etc.), the homebuyer or homeowner will not be eligible to receive RHTF or HOME funds from KHC. **At least three weeks prior to closing, developers must submit terms of private homebuyer mortgage(s) and note(s) along with completed closing documents to hcadev@kyhousing.org for KHC Legal Department review.**

KHC will also look at the terms of mortgages to ensure terms that are reasonable, standard for the industry, and not predatory or unsustainable. funding must be secured by a mortgage in favor of KHC with due-on-sale and refinance clauses to ensure repayment to KHC in the event of a transfer of ownership or a no cash-out refinance any time during the affordability period, a promissory note and deed restriction (as applicable), based on the affordability period.

Underwriting standards for the programs should ensure that RHTF investments and developer returns are not excessive. Underwriting standards evaluate the homebuyer's housing debt, overall debt, monthly household expenses, assets available to acquire housing, and the financial resources available to the household to ensure that the appropriate amount of federal and state assistance being provided is appropriate to afford and sustain homeownership. These underwriting standards are incorporated in the newest *RHTF Single-Family Homebuyer Development Set-Up Packet*.²

Limit on Investment

KHC will not invest more than is necessary to provide quality affordable housing that is financially viable. To this end, KHC will examine the sources and uses of funds to determine whether costs are reasonable.

To limit the amount of RHTF, KHC has established a **minimum** front-end ratio of 10 percent (minimum PITI to gross monthly income cannot be less than 10 percent) to ensure the household is only receiving enough KHC assistance to complete the transaction and is not being over-subsidized. Based on its review, KHC may require the developer to decrease the amount of KHC assistance and increase the amount of borrowed funds. If the review indicates that the household is being provided housing that is excessive in size or amenities, KHC may also require the developer to reduce the size and scope of the project to provide more

suitable housing as it relates to the household's current needs. **The goal of the KHC Single-Family**

Homebuyer program is to help low- income persons obtain safe, quality, and affordable housing that meets their basic housing needs.

Front- and Back-End Ratios

For **all** homeownership activities, the maximum front-end ratio for principal, interest, taxes, and insurance (PITI) is 29 percent of the assisted household's gross monthly income. The maximum back-end ratio for total long-term debt (six months or longer) plus PITI is 41 percent of the household's gross monthly income. *Waivers may be requested when student loans cause a homebuyer's back-end ratio to exceed 41 percent provided the ratio does not exceed 50 percent.*

Liquid Assets

All developers must have a Liquid Asset Policy and must establish a method to evaluate liquid assets and the ability of assisted households to financially contribute to the acquisition, construction, or rehabilitation

of their housing to ensure that a minimum amount of KHC funds are used. All households utilizing HOME funds must contribute a minimum of \$250.00 to the transaction. HCA will allow an exception to the minimum \$250.00 contribution and the minimum \$250.00 liquid asset requirement if the **ONLY** source of household income is SSI or SSDI.

Home Buyer Value Limits

The sales price of newly constructed housing cannot exceed 95 percent of the median purchase price for the area based on Federal Housing Administration (FHA) single-family mortgage program data for newly constructed housing.

For existing housing, the value limit is the greater of one of the following:

- 95 percent of the median purchase price for the area based on Federal FHA single-family mortgage program data and other appropriate data that are available nationwide for sale of existing housing in standard condition,
- Or the minimum limit (or floor) based on 95 percent of the statewide, nonmetropolitan area median purchase price using this data. This limit encompasses the total purchase/rehabilitation price, regardless of source of financing.

The current limits are subject to change annually. Please check HUD's website at www.hudexchange.info/home for the most up-to-date information. The limits are also provided by county in the newest *RHTF Single-Family Homebuyer Development Set-Up Packet*² from the HCA Partner Agency Portal at <https://kyhmis.zendesk.com>

Please note: the purchase/rehabilitation price is the contract purchase price and does **not** include settlement charges.

Cost effectiveness must be considered by the developer. KHC, at its discretion, may review work write-ups and cost estimates to ensure cost reasonableness and reserves the right to reduce funding on projects KHC deems not to be cost reasonable. KHC may also require additional supporting documentation for any activity that appears to have unusual or elevated costs.

Subsidy Requirements

Subsidy Analysis

Before investing funds in a single-family dwelling, the developer must assess if other assistance has been, or is expected to be, made available to that unit. In performing this evaluation, the developer should consider the aggregate amount of assistance from other sources that is necessary **to ensure the feasibility of the assisted project**. Developers should not provide a standard amount of funds for each assisted unit. Instead, the household's ability to pay and availability of other loan and grant funds should be evaluated on an individual-unit basis. Only enough funds should be used to ensure the housing is affordable to the assisted household. Developers must develop a written policy for this analysis and apply it uniformly to all clients.

Developers must also undertake a Duplication of Benefits analysis for flood survivors. Additionally, developers should consider the population being served when conducting the subsidy analysis review. For instance, if the targeted population is 120 percent of area median income, that level of assistance would be different than that necessary for a targeted population that is very low-income (50 percent or lower).

Funds may be requested to provide 100 percent of the rehabilitation/construction costs per unit as interim construction financing and can be used to permanently provide development gap subsidy and direct homebuyer assistance.

KHC will adhere to the following combined homebuyer per unit subsidy limit (development gap subsidy plus homebuyer direct subsidy) according to the guidelines below:

RHTF Range of Uses, Funding Limits, and Affordability Terms

Activity Type	Eligible Households (≤120% AMI)	Maximum Permanent RHTF Funding (Development Gap + Homeowner Subsidy)	KHC Design Requirement	Affordability Requirement
Full Code Rehab (HB)	Disaster Survivors	\$60,001 – \$99,999	Full Building Code	10-year deed restriction
Demo & Rebuilding on Survivor’s Original Land (HB)		Up to \$140,000	Minimum Design Standards	+ Mortgage/note in the amount of direct subsidy to the homeowner/homebuyer
New Construction on New Site (HB)	Disaster Survivors & Other Buyers	Up to \$120,000		

Development Gap Subsidy

In the event the total development costs exceed the appraised value, the housing unit may not sell for more than the appraised value. The difference between the total development costs and the appraised value is the development gap subsidy. Development subsidy is only permitted for those developers that undertake homebuyer activities.

Note: For construction projects, KHC-administered funds, except for mortgage revenue bond financing, may not be used to take out another KHC-administered construction source.

Direct Subsidy: Homebuyer Assistance

The total amount of RHTF assistance that enabled the home buyer to buy the dwelling unit is considered the **direct subsidy**. This includes any assistance that reduces the purchase price from the fair market value to an affordable price but **excludes** development subsidy. All funds that are a direct subsidy to the home buyer must be secured as noted in the “Collateral” section of this document.

Funding should be considered “gap financing”, and the actual amount of permanent investment must be based on the household’s need, after all other available sources of financing and subsidy have been maximized.

NOTE: Developers are required to use the MAXIMUM amount of available direct subsidy before adding
KHC RHTF for Single-Family Disaster Recovery Projects in EKY & WKY Projects *Page 29 of 40*

more long-term debt to the homebuyer in the form of a second, non-forgivable mortgage.

Structure and Repayment of KHC Subsidy

Although subject to change, KHC currently permits the subsidy for developers to be forgivable on a pro-rata basis per year over the term of the applicable affordability period. These funds must still be secured by a mortgage in favor of the developer with due-on-sale and refinance clauses to ensure repayment to KHC in the event of a transfer of ownership or refinance any time during the affordability period. The mortgage must be assigned to KHC following closing. Developers must use the appropriate mortgage, note, and assignment of mortgage templates for the applicable funding source as found in the Homebuyer Development section of the [HCA Partner Agency Portal](#).

All Program Income must be returned to KHC, but KHC may allow the developer to recycle the program income into another activity.

Collateral

All KHC funds invested, regardless of amount or type of activity, must be secured by a first or second mortgage lien; excluding administrative fees, environmental fees, and development subsidy. **These funds must be provided in the form of a forgivable loan.**

In the case of mobile homes, they must be permanently fixed to a foundation. Funds must be secured by a mortgage lien on the property, including the mobile home. The debt must be evidenced by a promissory note for the full amount of KHC funds. Lien positions other than a first or second must be approved by KHC in writing prior to closing. The lien position of the KHC mortgage must be in direct relation to the amount of KHC funds invested, i.e., if the KHC mortgage is providing the most funds, it should be in first-lien position. The property must be taxed as real property.

KHC requires the incorporation of deed restrictions ensure the affordability period when RHTF moneys are in a project. The deed restriction must be recorded in the office of the County Clerk of the county in which the property is located. **The deed restriction must remain in place for the entire 10-year affordability period as outlined in the table below.**

All developers are required to have promissory notes and mortgages executed for the investment and the duration of the affordability period. All property owners and spouses will be required to execute the mortgage. KHC Mortgage and Note templates must be used and are available in the RHTF section of the HCA Partner Agency Portal at <https://kyhmis.zendesk.com>. **Drafts of all legal documents, including terms of all private mortgage(s) and note(s), must be submitted to KHC via the hcadev@kyhousing.org email address at least three weeks prior to closing.**

RHTF Range of Uses, Funding Limits, and Affordability Terms

Activity Type	Eligible Households (≤120% AMI)	Maximum Permanent RHTF Funding (Development Gap + Homeowner Subsidy)	KHC Design Requirement	Affordability Requirement
Full Code Rehab (HB)	Disaster Survivors	\$60,001 – \$99,999	Full Building Code	10-year deed restriction + Mortgage/note in the amount of direct subsidy to the homeowner/homebuyer
Demo & Rebuilding on Survivor’s Original Land (HB)		Up to \$140,000	Minimum Design Standards	
New Construction on New Site (HB)	Disaster Survivors & Other Buyers	Up to \$120,000		

Insurance

Developers are responsible for ensuring that KHC-funded Homebuyer units are properly insured during the construction/rehab process. The developer’s mortgage document must contain provisions that require the assisted property to remain insured throughout the period of affordability.

For all properties assisted with KHC funds, the homeowner must maintain all risk, fire, and extended coverage; in form and with companies acceptable to developer, for each homebuyer activity, in an amount not less than the total investment in the property. Each policy must include appropriate loss payable clauses in favor of KHC as beneficiary, and without right of cancellation or change except upon thirty (31) days’ written notice to developer. Homeowner will deliver proof of all insurance to the developer at closing and via subsequent verifications of occupancy status.

Annual Verification of Occupancy Status

As established in the RHTF Grant Agreement, developers must **annually** verify homeowners’ **compliance** with residency requirements established by the terms of the mortgage, note, and deed restriction for the duration of the Period of Affordability (POA) **governing the assisted unit**. Methods by which developers could document this include, but are not limited to the following:

- calling homeowner(s) and get oral verification and documenting the call with a memo to file;
- sending owner(s) a written verification form that they could sign and return via mail or email; and/or
- reviewing property tax records to verify that owner’s address is same as unit address and documenting the verification with a copy of the tax record and/or a memo to file.

The developer must maintain records of annual homeowner compliance verification for five years following

the conclusion of the RHTF POA.

Recapture

For homeownership activities, KHC requires all funds to be repaid at the time the property is transferred to another owner.

If the property is sold, leased, refinanced, or no longer used as the primary residence of the assisted homeowner; KHC may recapture the funds, reviewed on a case-by-case basis. In the event the net proceeds from a sale are insufficient to repay KHC the investment, KHC will recapture the **net proceeds**. In the event of foreclosure, if the shared net proceeds are insufficient to repay the unforgiven amount, the RHTF affordability requirements may be terminated.

In the event an heir does not meet the 120 percent AMI limit on RHTF-funded properties, the RHTF investment must be recaptured, less the forgiven portion.

Fees

Production/Developer Fee

For **new construction (including acquisition/rehab/resale) and demolition/reconstruction projects (see Activity Detail Chart)**, the developer fee cannot exceed the lesser of the two listed below:

- \$20,000
- 20% of Total Development Costs (TDC)

The developer fee is a soft cost (24 CFR §92.206(d)(2)) and is considered part of the total development cost. ***Any increase in project costs must be paid first from developer fee prior to requesting additional funds from KHC.***

Lending Fee

Lenders cannot charge fees for dollars.

Program Income

Surplus RHTF financing, defined as the difference in interim construction financing and total permanent financing remaining in the unit (combined developer gap subsidy and direct homebuyer subsidy) for developers is classified as program income.

All surplus RHTF financing remaining following the sale of the final RHTF-funded under unit created under this award must be returned to KHC as program income.

KHC will allow the recycling of RHTF Program Income into other RHTF eligible activities. Program Income will be documented on the Project Close-out Report (PCR). Developers must keep a separate, non-interest bearing, account for RHTF Program Income. As developers submit new setups reserving RHTF Program Income, they will also need to submit a tracking report to KHC, which shows the projects that generated program income; the amounts; the setup activity numbers which are reserving program income and amounts; and a running balance.

Displacement, Relocation, and Acquisition

Developers must take all reasonable steps to minimize displacement. *In the development of rural housing under KRS 198A.740 to 198A.750, displacement of moderate-income individuals or families shall not be permitted unless the project pays all reasonable relocation costs.* In cases of relocation, developers will need to consult with KHC for guidance on what will be considered reasonable relocation costs.

Partner Processes Overview– Single Family Development

Set-up Submission

1. Complete the *RHTF Single-Family Homebuyer Development Set-Up Packet*² downloaded from the [HCA Partner Agency Portal](#).
2. Review and complete the Set-up Checklist, making sure to attach additional required documents.
 - a. Deed – (to demonstrate site control)
 - b. Project Area Map
 - c. Appraisal (or other supporting appraisal – may include an as-built appraisal or other like appraisal)
 - d. Written Agreement – between developer and buyer
 - e. Word Version of Legal Description (double check to ensure there are no typos)
 - f. Evidence of Clear Title
 - g. Executed MOU
 - h. URA Guide Form Notice
3. Send excel set-up packet and all required, supporting documents to hcadev@kyhousing.org.

Set-up Approval

Set-up approvals will take 2 – 4 weeks.

Release of Funds

1. Project specialist will email developer of the release of funds.
2. Developer should request to access the project in the Project Management Draw System.
3. Once access is granted, grant funds may be drawn.

Inspections

1. Inspections are required for every unit:
 - a. Footing (after excavation of footings and before footing concrete is poured)
 - b. Interim (any time between completion of wall insulation and hanging of drywall)
 - c. Completion (100% complete, including landscaping and site work – before move-in)

Complete KHC Inspection Request Form, located on the [HCA Partner Agency Portal](#). Submit completed form at least five business days before anticipated inspection date to KHCinspectionRequests@kyhousing.org.

Draws

Follow Project Management Draw System user manual for guidance on draw submission. A maximum of three draws per unit is permitted, which typically aligns with each inspection. **The final draw must be submitted within 90 days of the unit closing.**

Completion of a Unit

Closing Documents

1. Find the closing documents on the HCA Partner Agency Portal.
 - a. Mortgage
 - b. Note
 - c. Deed Restriction
2. Fill in all relevant information including the Exhibit A legal description, check for typographical issues
3. **Email all proposed closing documents and all other mortgages and notes associated with the project to hcaddev@kyhousing.org at least three weeks prior to closing** for review by KHC's Legal Department
4. KHC will email approval of the closing documents to developer.
5. Developer closes the loan, including execution of any applicable assignments and the Homebuyer Written Agreement.

Project Close-out

1. Submit final draw in Project Management Draw System, and mark as "final draw".
2. Attach a clear, high-quality pdf of the following documents:
 - a. Excel and signed PDF versions of PCR tabs from the *RHTF Single-Family Homebuyer Development Set-Up Packet*²
 - b. Deed (with recording information from County Clerk's office)
 - c. Mortgage (with recording information from County Clerk's office)
 - d. Promissory Note
 - e. Deed Restriction (with recording information from County Clerk's office)
 - f. Mortgage Assignment (with recording information from the County Clerk's office)
 - g. Promissory Note Assignment
 - h. Proof of homeownership counseling for homebuyer.
3. Draw and Project Close-out report will be processed once KHC receives and approves the original note and note assignment as well as all other closing documents.
4. Developer will receive notification once HCA has processed the draw and PCR.

Note: KHC will allow the recycling of RHTF Program Income into other RHTF eligible activities. Program Income will be documented on the Project Close-out Report (PCR). Developers must keep a separate, non-interest bearing, account for RHTF Program Income. As developers submit new setups reserving RHTF Program Income, they will also need to submit a tracking report to KHC, which shows the projects that generated program income; the amounts; the setup activity numbers which are reserving program income and amounts; and a running balance.

Part 2: Single-Family Home Repair and Recovery

Eligible Activities: KHC RHTF Disaster Recovery Program

At-a-Glance: RHTF Home Repair, Recovery & Reconstruction

Purpose	To assist existing homeowners in achieving a housing solution that is disaster resilient, affordable, and sustainable for the household over time.
Eligible Households	Homeowners with combined household income <120% AMI. Homeowners must have ownership interest in the land and home to be repaired/reconstructed.
Eligible Properties	<ul style="list-style-type: none"> • Single-family detached homes or qualified factory-built homes. • Home must be the homeowner’s primary residence. • Home cannot be in the Special Flood Hazard Area (SFHA).
Geography	<ul style="list-style-type: none"> • Rural areas of Kentucky, per the USDA property eligibility lookup webpage. • Counties designated for FEMA Individual Assistance in the following disasters: FEMA-4663-DR-KY and FEMA-4630-DR-KY.
Maximum Assistance	\$60,000 per repaired home; up to \$99,999 per full-code rehabbed home; and up to \$140,000 per demolished existing home and newly reconstructed home. Assistance can be paired with but cannot duplicate other disaster, repair, weatherization, and/or energy efficiency programs.
Eligible Activities	<ul style="list-style-type: none"> • Repairs that bring a home up to KHC’s <i>Minimum Habitability Standards</i>. • Rehab or construction that Meets <i>KHC Design Guidelines</i>: <ul style="list-style-type: none"> ○ Full code home rehabilitation. ○ Disaster mitigation measures. ○ Reconstruction of a home on owner’s land (original home must be demolished). ○ Site-built, factory-built, and modular construction are all eligible. • Other recovery housing solutions as approved by KHC.
Assistance Form/Term	Deed restriction for 10 years. For reconstruction, a forgivable mortgage will be issued in the amount of direct assistance to the homeowner.
Eligible Applicants/Sponsors	<ul style="list-style-type: none"> • Nonprofit organizations, units of local government in Kentucky; regional or statewide housing-assistance organizations; and Public Housing Authorities who are in good standing with both the Commonwealth and KHC. • Must have a demonstrated experience in and capacity to manage similar programs.
Per Unit Production Fee	If acting as a developer or contractor, the developer/builder may earn a fee upon completion of the home equal to: <ul style="list-style-type: none"> • <u>Home Repair</u>: the lesser of 20% of RHTF up to a maximum of \$12,000. • <u>Full Code Rehab, Reconstruction & New Construction</u>: the lesser of 20% of total development costs or \$20,000.
Inspections	Before work begins, KHC must receive property photos and a detailed scope of work. Before final reimbursement, KHC will conduct an on-site inspection of completed work.
Forms & Templates	HCA Partner Agency Portal , RHTF Home Repair

Amount, Form & Term of Assistance

RHTF funds will be expended on per unit repair costs in an amount no more than \$60,000. Funds are provided in the form of a grant secured with a deed restriction for 10 years. After 10 years, the deed restriction period terminates.

RHTF Range of Uses, Funding Limits, and Affordability Terms

Activity Type	Eligible Households ($\leq 120\%$ AMI)	Maximum Permanent RHTF Funding (Development Gap + Homeowner Subsidy)	KHC Design Requirement	Affordability Requirement
Home Repair (HR)	Disaster Survivors	Up to \$60,000	Minimum Habitability Standards	10-year deed restriction

Eligible Project Costs

The following are eligible costs under the RHTF Home Repair program:

- Materials and labor tied to home repairs that address items delineated in KHC's Minimum Habitability Standards.
- Materials and labor tied to rehabilitation required so a home meets current Kentucky Residential Building Code
- Materials, labor, and soft costs needed for the demolition and reconstruction of an owner-occupied unit
- Construction management, including scope of work development and cost estimation.
- Unit Production fee is allowed if partner is acting as developer or contractor. Fees will be paid upon completion of the home which is equal to the lesser or 20% of the total project costs up to a maximum of \$12,000.

Eligible Repair Costs

RHTF may be used for the following activities and must meet the applicable design standards.

Activity	Design Standard
Home stabilization via repairs	Minimum Habitability Standard (MHS)
Improvements needed for a home to be habitable for a disabled member	MHS
Home construction	KHC Design Guidelines
Reconstruction/Rehab to full code compliance	Minimum Design Standards

Homes MUST meet ALL the standards upon project completion with the exception of optional improvements. Final reimbursement will not be made until a KHC inspector has performed a satisfactory on-site inspection.

Failure to bring a home up to these standards will result in repayment to KHC by the project sponsor (exceptions to this are listed in the “Special Circumstances” section below).

Special Circumstances

Failure to bring a home up to KHC’s design standards will result in repayment to KHC by the agency; however, KHC may waive repayment on a case-by-case basis. For instance, if a homeowner dies as repair work is underway and an income-eligible heir will not occupy the home, KHC will not require funds to be repaid.

If a previously unknown health or safety issue arises that requires repair work to cease, KHC may allow the project a deadline extension. If work cannot resume due to unresolved health or safety issues, KHC will allow, on a case-by-case basis, the project to terminate without penalty to the agency.

Working with KHC’s Design & Construction Review Team

KHC understands its Minimum Habitability Standards leave room for interpretation on the part of agencies and KHC’s inspectors. KHC offers the following guidance:

- Agencies are advised to develop as detailed a repair scope of work as possible for each home. This will be submitted to KHC via template built into the RHTF Home Repair & Recovery Project Set-Up (available on the [HCA Agency Partner Portal](#))
- In addition, a thorough set of existing conditions photos will allow KHC’s Design & Construction Review staff to understand the repairs need to bring a home up to Minimum Habitability Standards. Photos must capture all sides of exterior structure, include all repairs listed in the repair scope, and be submitted via KHC file share link.
- Should an agency be unsure as to how to meet Minimum Habitability Standards or what repairs KHC will allow, contact KHC’s Design & Construction Review team.
- If repairs do not bring a home up to Minimum Habitability Standards, the agency will have to either invest non-KHC funds in additional repairs or repay RHTF funds.

RHTF Home Repair Program Process

1. **Project Set-Up.** An agency can request funds for a qualified homeowner/home by submitting a complete *RHTF Home Repair & Recovery Project Set-Up*² (available a on the [HCA Agency Partner Portal](#)) for each homeowner/home. There is no limit on the number of Set-Up packets an agency may submit simultaneously, other than the agency’s available RHTF funding.

Listed below are the documents to be sent to KHC once the agency has approved the family to receive RHTF Repair Program funds. The *RHTF Home Repair & Recovery Project Set-Up*² will indicate required supporting documentation on the *Checklist* tab. A copy of these documents should also be maintained in the recipient files:

- *RHTF Home Repair & Recovery Project Set-Up*²
- Project sources & uses
- Homeowner income determination
- Repair scope of work and cost estimate, including contingency
- Photos of existing home conditions, documenting all areas/items to be addressed to bring home up to KHC Design Standards
- USDA Rural Development (USDA-RD) Property Determination Eligibility
- Proof of Ownership
- Deed Restriction
- Other documents as required by KHC

- Any other documents listed on the RHTF Home Repair Project Set-Up “Checklist” tab

Deed Restriction. Once KHC has approved the project Set-Up, the agency will be responsible for executing and recording the deed restriction, using KHC’s RHTF Deed Restriction Template, located on the [HCA Agency Partner Portal](#).

2. Once KHC has approved the set-up packet and deed restriction, KHC will issue an activity number and release of funds for the eligible household.
3. **Draw Request.** Disbursement will be made to the agency. The agency will be responsible for obtaining a lien waiver from the Contractor. Participating agencies are limited to two (2) draws per unit during repair work and a final draw request at project completion. All draw requests must be submitted through the [Program Funding Draw Management System](#) (PFDMS).

Draw amounts should be proportionate to the percent of completion of the unit. KHC reserves the right to reduce any draw that is requesting excessive funds compared to the construction completion of the unit.

To set-up an account, visit the [Program Funding Draw Management System](#) and follow these steps.

1. Register/Create an account.
2. Request access to project.
3. After project access approved, create and submit the draw request.

If you have any questions or need assistance registering, please review the [FAQ](#) section of the System or contact KHC’s [Help Desk](#).

4. **Inspections.** Follow inspection processes for the appropriate activity. MHS only requires an inspection upon completion of the project. Full code rehab and demolition/reconstruction projects must follow KHC’s Single-Family Development inspection protocol.
5. **Project Completion Report (PCR).** A PCR and other project documentation are to be sent to KHC with the Final Draw when an individual home has been brought up to KHC’s Design Standards with RHTF Home Repair & Recovery funds and the project has been completed. A copy of these documents should also be maintained in the recipient files.
6. **Record Keeping.** Applicants are responsible for ensuring that above documentation is maintained for all RHTF assisted projects for a period of five (5) years after the end of 10-year period of affordability.

Additional Policies

KHC Reserves the right to the following:

- Withdraw its conditional funding commitment if items are not submitted by the applicant by the date referenced in the commitment letter.
- Recapture funds if funds are not committed and/or expended and construction completed by the date referenced in the funding agreement, or if the project substantially changes after funding commitment.
- Periodically review the applicant’s progress toward timely commitment and expenditure of the RHTF allocation. If KHC determines that the project is no longer feasible or is not progressing timely so that the imposed deadlines will be met, funds may be recaptured.
- KHC will recapture funds for any applicant who becomes suspended or debarred in accordance with the KHC Suspension and Debarment Policy.

Other examples of situations that constitute recapture may be included in the RHTF grant agreement. Applicants are advised to read those requirements carefully to avoid recapture of RHTF funds.

KHC Minimum Habitability Standards

Structure	<ul style="list-style-type: none"> a. The home is structurally sound to protect the residents from the elements and not pose any threat to the health and safety of the residents. A structurally sound building is one which has not decayed, deteriorated, or in danger of thermal envelope failure. The thermal envelope consists of any plane adjacent to habitable, conditioned, and/or storage space included in the home’s footprint. b. The roof must be structurally sound and weathertight. c. Ceilings, wall, and floors must not have any serious defects such as severe bulging or leaning, large holes, loose surface materials, severe buckling, missing parts or other serious damage. d. The exterior wall structure and surface must not have any serious defects such as serious leaning, buckling, sagging, large holes, or defects that may result in air infiltration or vermin infiltration.
Access	<p>The home must demonstrate a reasonably safe path of egress by:</p> <ul style="list-style-type: none"> a. complying with the current Kentucky Residential Code; or b. complying with the applicable Kentucky residential building code at time of construction (applies to homes built since statewide code adoption); or c. (for homes built before statewide adoption of building code), ensuring the condition of the interior and exterior stairs, halls, porches, walkways, etc., must not present a danger of tripping and falling. (For example, broken or missing steps or loose boards are unacceptable.)
Space and security	<p>The home must provide an acceptable place to sleep and adequate space, privacy, and security for the occupants and their belongings. Bedrooms and bathrooms must have doors and be sufficient in size for their intended use.</p>
Interior air quality	<ul style="list-style-type: none"> a. Each room or space within the home has a natural or mechanical means of ventilation. b. The interior air is free of pollutants at a level that might threaten or harm the health of residents. (No gas cans, paint cans, mold, pesticides, herbicides, etc.) c. Existing clothes dryers must be vented to the outside.
Water Supply	<p>The home must have an adequate hot and cold-water supply.</p>
Sanitary Facilities	<p>The home has at least one bathroom/sanitary facility that is in proper operating condition, is private, and is adequate for personal cleanliness and the disposal of human waste.</p>
Thermal environment	<p>The home has heating facilities in proper operating condition.</p>
Illumination and electricity	<ul style="list-style-type: none"> a. The home has adequate natural or artificial illumination to permit normal indoor activities and support health and safety. b. There are sufficient electrical sources to permit the safe use of electrical appliances in the shelter. c. The home has no apparent electrical hazards.
Food preparation	<p>A food preparation area is provided and contains suitable space and equipment to store, prepare, and serve food in a safe and sanitary manner. Home must have a refrigerator AND a means of cooking (stovetop or microwave oven).</p> <ul style="list-style-type: none"> a. If the primary refrigerator has failed or is absent, RHTF Funds may be used to repair the appliance or purchase a 16 Cu. Ft. refrigerator that meets or exceeds Energy Star standards.

	<ul style="list-style-type: none"> b. If the primary means of cooking has failed or is absent, up to \$450 in RHTF Funds may be used to repair the appliance or purchase a stove or a microwave oven.
Sanitary conditions	The home is maintained in a sanitary condition with no significant pest infestations, health-endangering filth, animal feces and/or urine etc.
Fire safety	<ul style="list-style-type: none"> a. There is at least one working smoke alarm in each bedroom and one in the common area of each level. b. Homes with fuel burning appliances or an attached garage must have UL listed carbon monoxide alarm(s) installed outside each sleeping area in the immediate vicinity of all bedrooms. c. There is a second means of egress from a bedroom (door or openable window).
Accessibility	When one or more household members are persons with a disability): Improvements must be made that are demonstrably necessary for a disabled resident to inhabit the home: wheelchair ramps, bathroom grab bars, bath seats/benches, etc.
OPTIONAL Improvements	<p>Provided a home meets ALL the above Minimum Habitability Standards listed above, the following improvements may be made:</p> <ul style="list-style-type: none"> a. Installation of a second entrance/exit (ingress/egress). b. Air conditioning. c. Repairs to a second bathroom. d. Replacement of functioning home systems that are at/near the end of their useful life. e. Energy efficiency improvements.

Resources

2 CFR Part 200- Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards

https://www.ecfr.gov/cgi-bin/text-idx?tpl=/ecfrbrowse/Title02/2cfr200_main_02.tpl

HCA Partner Agency Portal

<https://kyhmis.zendesk.com>

[All RHTF program documents can be found at this website, where requests for technical assistance can also be submitted.](#)

KHC Design & Construction

<http://www.kyhousing.org/Development/Pages/Design-and-Construction.aspx>

ENERGY STAR Residential New Construction Program Requirements

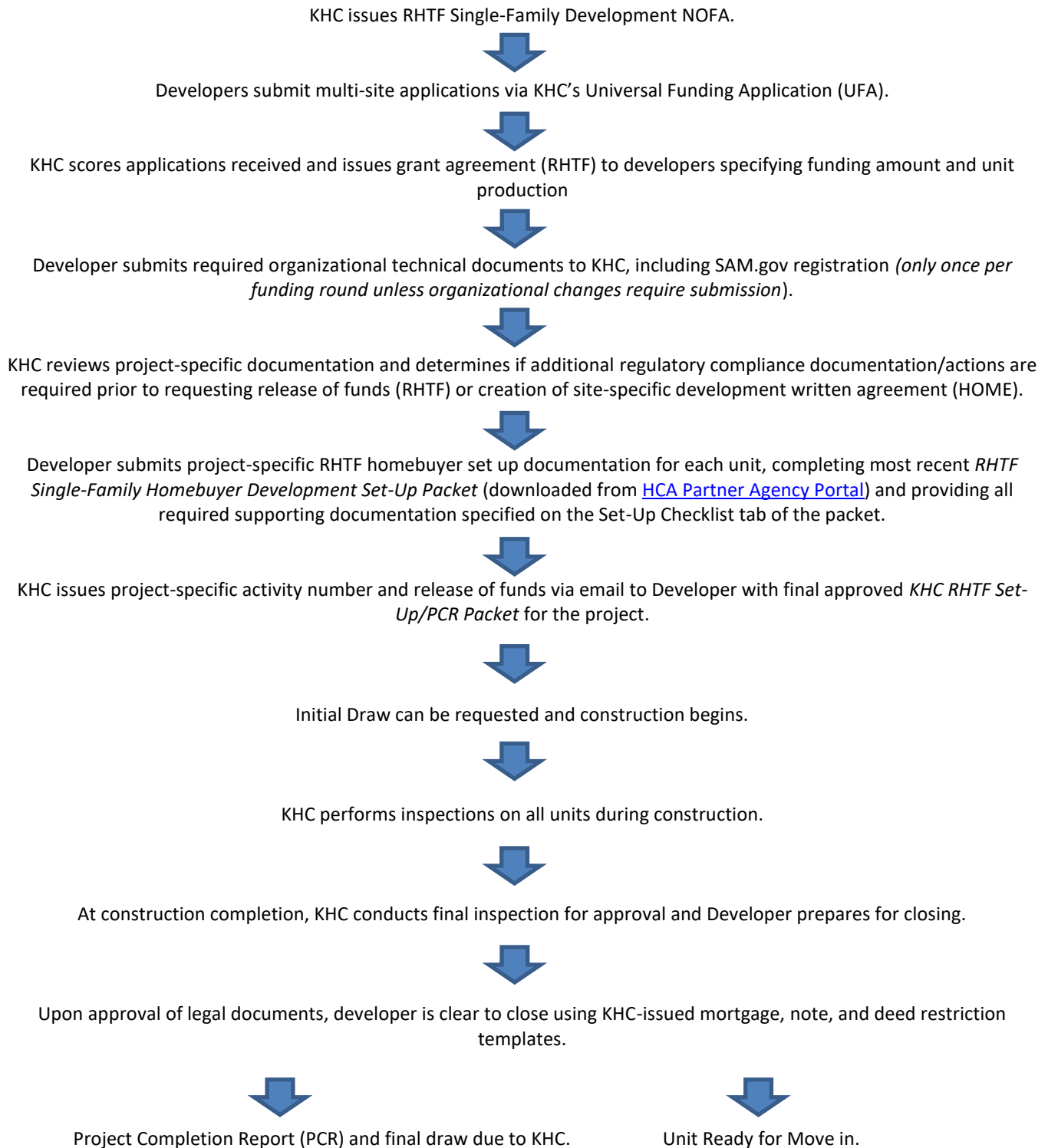
https://www.energystar.gov/newhomes/homes_prog_reqs/national_page

U.S. Green Building Council

<http://www.usgbc.org>

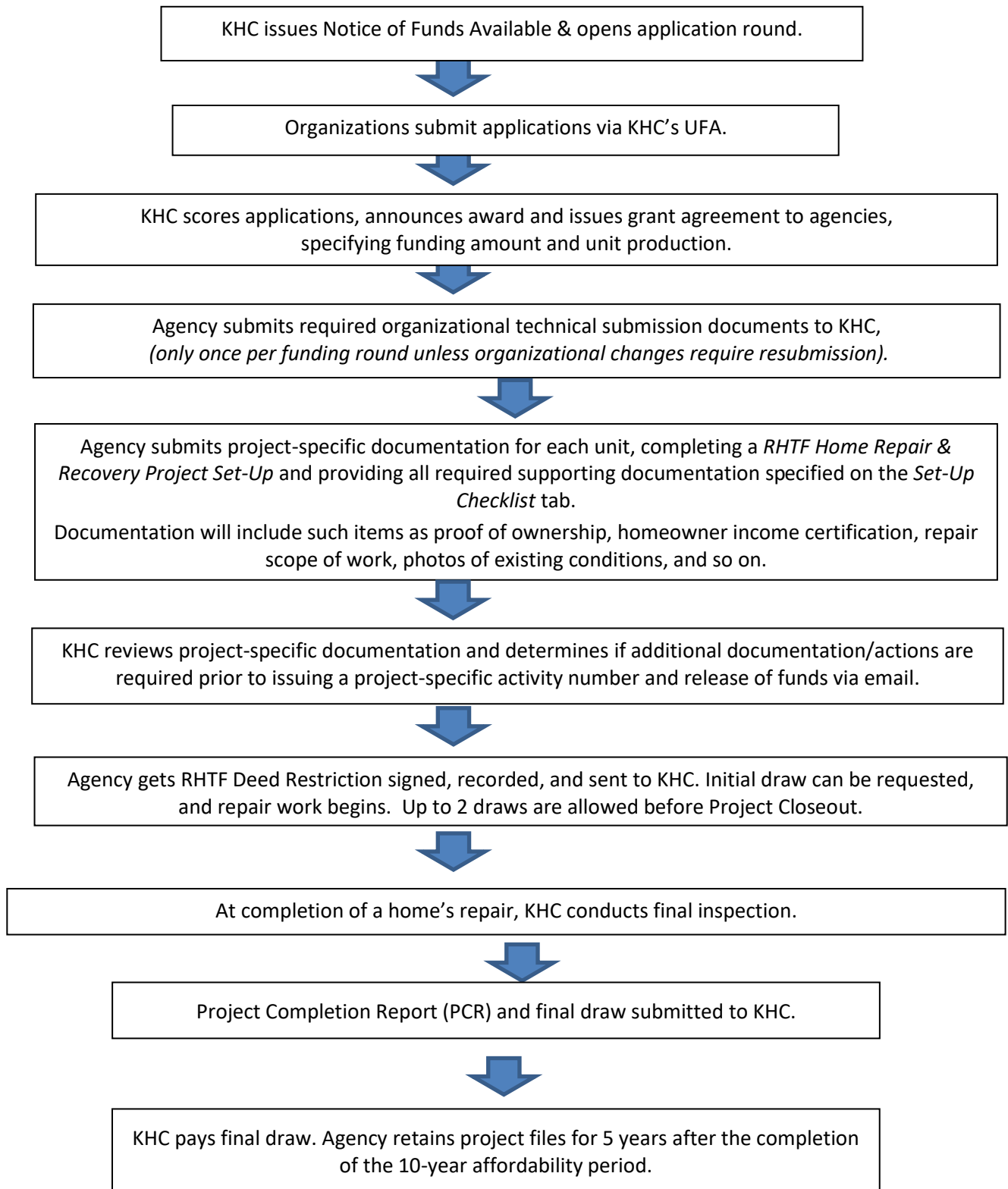
APPENDIX A

KHC Single Family Homebuyer Development Funding Flow Chart



KHC RHTF Home Repair & Recovery Program Flow Chart

Projects will roughly follow the process below.



APPENDIX B

KHC Quick Reference on KY Building Code

The first statewide adoption of a residential code came in the Fifth Edition of the Kentucky Building Code (KBC) and became mandatory January 1, 1991. The code standard is located in Appendix A, and it referenced the 1989 version of CABO.

- The 1994 KBC keeps the CABO code but references the 1992 edition.
- The 1997 KBC keeps the CABO code but references the 1995 edition.
- In 2002, the Kentucky Residential Code went into effect. This code was based on a few different codes (the history is in the Preface).
- In 2007, the Kentucky Residential Code went into effect. Based on 2006 International residential code with KY changes.
- In 2013, the Kentucky Residential Code went into effect. Based on 2012 International residential code with KY changes.
- In 2018, the Kentucky Residential Code went into effect. Based on 2015 International residential code with KY changes.

For more detailed information and effective dates of code visit <http://bcapcodes.org/code-status/state/kentucky/>.

APPENDIX C

Radon Testing and Mitigation Policy

This policy outlines Kentucky Housing Corporation's (KHC) procedures to ensure grantees performing environmental reviews comply with the US Dept. of Housing & Urban Development (HUD) [CPD Notice- 23-103: Departmental Policy for Addressing Radon in the Environmental Review Process](#). This policy is effective April 11, 2024, and applies to housing developed using HOME Investment Partnerships Program (HOME) and/or National Housing Trust Fund (NHTF) dollars that are subject to Part 58 Environmental Review regulations.

PLEASE NOTE: to ensure the safety of residents of all housing constructed with KHC funds, homebuyer and rental units developed with Affordable Housing Trust Fund (AHTF) and Rural Housing Trust Fund (RHTF) dollars must comply with the passive radon reduction venting system, radon testing, and radon mitigation requirements established by this policy. Environmental Review requirements do not apply to AHTF and RHTF-funded units. Radon documentation for these projects must be submitted with project set up. These requirements do not apply to AHTF and RHTF owner-occupied repair programs.

Note: if your local community already has requirement regarding radon, contact KHC's Environmental Review Technical Administrator at environmentalreview@kyhousing.org.

What is Radon?

Radon is a naturally occurring colorless, odorless, and tasteless radioactive gas that comes from the natural radioactive decay of uranium. Radon, itself, decays into radioactive decay products that can be inhaled and cause damage to the lungs and stomach tissue which could cause cancer. Because more people are exposed to moderate levels of radon, most radon-induced lung cancer results from long-term exposure to low or moderate radon levels in the home, as opposed to short term exposure to very high levels of radon. The Environmental Protection Agency recommends homes be fixed if the radon level is 4.0 picocuries per liter (pCi/L) or more. When radon testing determines indoor air radon levels are at or above 4.0 pCi/L or the scientific data review determines the project site is located in an area that has documented radon levels at or above 4.0 pCi/L, HUD [CPD Notice 23-103](#) requires that the Environmental Review Record (ERR) for a housing project include a mitigation plan.

What projects are subject to radon considerations?

KHC developed these strategies to assist grantees with the necessary consideration of radon in the site contamination analysis required under 24 CFR Parts 58.5(i). Not all projects are subject to radon compliance, such as those HUD declares as exempt from Environmental Review per 24 CFR 58.34(a) and those categorically excluded not subject to the Federal laws and authorities per 24 CFR 58.35(b) (CENST activities).

After April 10, 2024, if data (research for new construction) or actual radon testing (in the case of rehabilitation of structures) determines the radon levels are or may be above 4.0 pCi/L, a radon mitigation plan must be documented and implemented. In instances where radon testing will be conducted but cannot be conducted until after the ERR is certified, such as with new construction, the initial mitigation documentation would not include a radon evaluation but must include a condition for post-construction radon testing followed by mitigation, if needed.

Assess projected radon levels at a project site using the University of Kentucky Geologically Based Indoor Radon Potential mapping tool.

KHC requires all developers to explore the [UK College of Nursing's Bridging Research Efforts and Advocacy Toward Healthy Environments \(BREATHE\)](#) radon information and data for preliminary research regarding a project site. Particularly, developers must use the [University of Kentucky Geologically Based Indoor Radon Potential](#) mapping tool⁸ to assess the project site's potential indoor radon levels.

⁸ This is a science-based data source cited by HUD in the February 27, 2024, "HUD's Departmentwide Radon Policy Notice" web that can serve as an alternative for radon testing under HUD CPD Notice 23-103 section III(A)(ii)(3).

- 1) Go to <https://kygs.maps.arcgis.com/apps/View/index.html?appid=eac52b77783d4f2a92403740aaf8de76>
- 2) Enter the geographic coordinates (longitude, latitude) of the center of the project site in the search bar in the upper right corner of the web page.
- 3) Click the layers icon (stacked papers) on the left toolbar, click the down arrow next to “Indoor radon potential...” and change the opacity percentage to 50.
- 4) Click the legend icon (bullet points logo) on the left toolbar and then screen shot a copy of the map with the legend pop up. Using the print function in the mapping tool will remove the legend.
- 5) Upload a copy of the screen shot map in the HEROS Contamination Screen.
- 6) ***If the project site is in the 0.0-2.7 pCi/L (light blue) category, radon testing is not required.***
 - a. In the HEROS Contamination and Toxic Substances section, add “Per the University of Kentucky Geologically Based Indoor Radon Potential map, a science-based data source cited by HUD in the February 27, 2024, ‘HUD’s Departmentwide Radon Policy Notice’ webinar, the project site is in an area where the Indoor radon potential is between 0.0-2.7pCi/L, well below the EPA suggested radon action level of 4.0 pCi/L. Therefore, radon testing is not required for this project site under CPD Notice 23-103 section III(A)(ii)(3).” in both question 1 and the Compliance Determination narratives.
- 7) ***If the project site is in any other category, radon testing is required.***
 - a. **NOTE: If radon testing is required the project cannot convert from CEST to Exempt.** Therefore, Notice of Intent to Request Release of Funds (NOIRROF) must be published in the local paper to initiate the KHC public comment period for the project. After the KHC public comment period, KHC will submit a *Form 7015.15 Request for Release of Funds* to HUD for the project. “Choice limiting activities” cannot be undertaken on the project until HUD issues *Form 7015.16 Authority to Use Grant Funds*. The publication fee for the public notice is a reimbursable pre-development cost.

Single-Family Homebuyer Development- Acquisition, Rehabilitation, Resale Requirements

PREFERRED RADON TESTING METHOD: The preferred method is testing completed by a professional certified to meet American National Standards Institute/American Association of Radon Scientists and Technologists (ANSI/AARST) radon testing standards for single-family buildings. The ANSI/AARST standards describe how to perform the following tasks:

- conduct testing;
- interpret test results;
- draft a Radon Test Report to document the process for the building owner; and
- use for the ERR.

The ANSI/AARST standards can be viewed online for free and radon tests must be conducted by certified radon professionals. [Click here](#) to see an interactive map of radon professionals certified for measurement by the National Radon Proficiency Program (NRPP), the credentialing division of AARST.⁹

If there is a certified radon measurement professional within 50 miles of the project site, a certified professional must be used for radon testing unless the developer can document at least a 15-day wait for testing services. If the project site is more than 50 miles from a certified radon measurement professional or testing cannot be secured within 15 days of request, the alternative do-it-yourself (DIY) radon testing method described below may be used.

ALTERNATIVE RADON TESTING METHOD: If the project site is more than 50 miles from a certified radon measurement professional or testing cannot be secured within 15 days of request, a DIY radon test kit may be used to measure radon levels in single-family dwelling units. You can request free [DIY radon tests kits](#) from your [local health department](#) or from the [Kentucky Radon Program](#). DIY radon kits can also be purchased online or at hardware/home improvement stores. **Test devices must be approved by the National Radon Proficiency Program (NRPP) or the National Radon Safety Board (NRSB), and test results must be analyzed by a certified laboratory.** All test instructions, as specified by the manufacturer, must be followed exactly. **Note:** The

⁹ This map is based on data found at <https://certifiedradonpros.org/ky.html>.
KHC RHTF for Single-Family Disaster Recovery Projects in EKY & WKY Projects

ANSI/AARST [Protocol for Conducting Measurement of Radon and Radon Decay Products in Homes](#) provides detailed instructions for conducting radon tests in single-family homes.

RESULTS: If testing demonstrates that radon levels within the building are below 4.0 pCi/L, mitigation is not required. Environmental review preparers can simply upload a PDF of the complete test results in the Environmental Review Record (ERR) and describe the testing methodology in the summary narrative. Currently, HUD requires utilization of the existing fields in the HEROS Contamination and Toxic Substances screen to document radon testing and compliance.

If testing demonstrates that radon levels are at or above 4.0 pCi/L, mitigation measures must be employed to reduce indoor radon levels until levels are below 4.0 pCi/L and successful mitigation activities must be documented in the ERR.

RADON MITIGATION: When radon testing determines indoor radon levels are at or above 4.0 pCi/L, a mitigation plan must be created, which includes the following:

- identifies the radon level at initial testing;
- considers the risk to occupants' health;
- describes the radon reduction system that will be installed;
- establishes an ongoing maintenance plan;
- includes a reasonable timeframe for implementation;
- requires post-installation testing; and
- **mitigation measures must be installed by a professional certified for radon mitigation.** Go to [Click here](#) to see an interactive map of radon professionals certified for mitigation by the NRPP.²

CLOSING ON A HOMEBUYER UNIT CANNOT OCCUR UNTIL RADON LEVELS BELOW 4.0 pCi/L ARE DOCUMENTED IN A POST-MITIGATION TEST.

DOCUMENTING THE ERR:

- *Pre-Construction:*
 - ***If the UK Geologically Based Indoor Radon Potential mapping tool shows the project site is in the in the 0.0-2.7 pCi/L (light blue) category, radon testing is not required.***
 - In the HEROS Contamination and Toxic Substances section add “Per the University of Kentucky Geologically Based Indoor Radon Potential map, a science-based data source cited by HUD in the February 27, 2024, “HUD’s Departmentwide Radon Policy Notice” webinar, the project site is in an area where the Indoor radon potential is between 0.0-2.7pCi/L, well below the EPA suggested radon action level of 4.0 pCi/L. Therefore, radon testing is not required for this project site under CPD Notice 23-103 section III(A)(ii)(3).” to both in both question 1 and the Compliance Determination narratives.
 - ***If the UK Geologically Based Indoor Radon Potential mapping tool shows the project site is in any other category, radon testing must be conducted.***
 - Radon testing can only occur once construction is complete, therefore, CEST 58.5 level reviews subject to post-construction testing cannot convert to exempt. In HEROS, within the Contamination and Toxic Substances analysis, include a condition for post-construction radon testing followed by a mitigation plan if adverse levels are reported. Include any applicable compliance documentation as outlined in the documentation as outlined in the *HEROS Environmental Review Completion Guide-HOME Single Family* found on the [HCA Partner Agency Portal](#). *Note: the environmental preparer must update the ERR with the radon evaluation and proof of any required mitigation when complete.*

- **Post-Construction:** Once testing and mitigation, if applicable, is complete and there is documentation that the indoor radon levels are below 4.0 pCi/L, send environmentalreview@kyhousing.org the following documentation as applicable. Once KHC has approved this documentation and emailed the developer a copy of the completed ERR and closing documents have been approved by HCA, then developers may schedule closing.
 - Acceptable method to document testing completed by a certified radon measurement professional;
 - name of professional conducting mitigation, including NRPP Certification Number;
 - PDF of complete test results provided by the certified radon measurement professional; and
 - brief description of test results including date of test and indoor radon level measured in pCi/L.
 - Acceptable method to document DIY testing must include the following:
 - the test device (type, name of certified laboratory analyzing test results);
 - the time period of testing;
 - the test conditions (HVAC system off, outside temperature, etc.);
 - PDF of complete test results provided by the certified laboratory;
 - brief description of test results, particularly indoor radon level measured in pCi/L; and
 - any other conditions relevant to test conditions.
 - Acceptable method to document radon mitigation must include the following:
 - name of professional conducting mitigation, including NRPP Certification Number;
 - proof of completion (invoice documenting scope of work, date of completion, and cost of completion);
 - brief description of mitigation methods employed; and
 - ongoing radon monitoring and mitigation plan.

Single-Family Homebuyer Development- New Construction Requirements

NEW DESIGN STANDARDS: To ensure that all KHC-funded single family new construction units are radon mitigation ready, KHC’s Design and Construction Review division has implemented the following updates to the Minimum Design Standards:

Radon Reduction: A passive radon reduction venting system is required for all units.

- a) The radon vent pipe shall pass through a heated portion of the structure and an accessible attic space or chase which will allow adequate working space to possibly install an inline fan.
- b) Electrical provisions shall be roughed in, in an accessible attic or chase, for possible future installation of an inline fan.
- c) If the UK Geologically Based Indoor Radon Potential mapping tool shows the project site is in the in the 0.0-2.7 pCi/L (light blue) category, radon testing is not required.
- d)
- e)
- f) If the UK Geologically Based Indoor Radon Potential mapping tool shows the project site is in any other category, radon testing must be conducted post construction but before occupancy using an acceptable test method as specified in KHC’s Radon Policy.
 - a. If testing shows 4 .0pCi/L or more, mitigation measures shall be completed according to the most current version of American National Standards Institute/American Association of Radon Scientists and Technologists CCAH Reducing Radon in New Construction of 1 & 2 Family Dwellings and Townhouses (ANSI/AARST CCAH). Mitigation measures must be installed by a professional certified for radon mitigation. [Click here](#) to see an interactive map of radon professionals certified for mitigation by the NRPP.²

PREFERRED RADON TESTING METHOD: The preferred method is testing completed by a professional certified to meet American National Standards Institute/American Association of Radon Scientists and Technologists

(ANSI/AARST) radon testing standards for single-family buildings. The ANSI/AARST standards describe how to perform the following tasks:

- conduct testing;
- interpret test results;
- draft a Radon Test Report to document the process for the building owner; and
- use for the ERR.

The ANSI/AARST standards can be viewed online for free and radon tests must be conducted by certified radon professionals. [Click here](#) to see an interactive map of radon professionals certified for measurement by the National Radon Proficiency Program (NRPP), the credentialing division of AARST.²

If there is certified radon measurement professional within 50 miles of the project site, a certified professional must be used for radon testing unless the developer can document at least a 15-day wait for testing services. If the project site is more than 50 miles from a certified radon measurement professional or testing cannot be secured within 15 days of request, the alternative do-it-yourself (DIY) radon testing method described below may be used.

ALTERNATIVE RADON TESTING METHOD: If the project site is more than 50 miles from a certified radon measurement professional or testing cannot be secured within 15 days of request, a DIY radon test kit may be used to measure radon levels in single-family dwelling units. You can request free [DIY radon tests kits](#) from your [local health department](#) or from the [Kentucky Radon Program](#). DIY radon kits can also be purchased online or at hardware/home improvement stores. Test devices must be approved by the National Radon Proficiency Program (NRPP) or the National Radon Safety Board (NRSB), and test results must be analyzed by a certified laboratory. All test instructions, as specified by the manufacturer, must be followed exactly. **Note:** The ANSI/AARST [Protocol for Conducting Measurement of Radon and Radon Decay Products in Homes](#) provides detailed instructions for conducting radon tests in single-family homes.

RESULTS: If testing demonstrates that radon levels within the building are below 4.0 pCi/L, mitigation is not required. Environmental review preparers can simply upload a PDF of the complete test results in the Environmental Review Record (ERR). Currently, HUD requires utilization of the existing fields in the Contamination and Toxic Substances HEROS screen to document radon testing and compliance.

If testing demonstrates that radon levels are at or above 4.0 pCi/L, mitigation measures must be employed to reduce indoor radon levels until levels are below 4.0 pCi/L and successful mitigation activities must be documented in the ERR.

RADON MITIGATION: When radon testing determines indoor radon levels are at or above 4.0 pCi/L, a mitigation plan must be created, which includes the following:

- identifies the radon level at initial testing;
- considers the risk to occupants' health;
- describes the radon reduction system that will be installed;
- establishes an ongoing maintenance plan;
- includes a reasonable timeframe for implementation;
- requires post-installation testing; and
- **mitigation measures must be installed by a professional certified for radon mitigation.** Go to [Click here](#) to see an interactive map of radon professionals certified for mitigation by the NRPP.²

CLOSING ON A HOMEBUYER UNIT CANNOT OCCUR UNTIL RADON LEVELS BELOW 4.0 pCi/L ARE DOCUMENTED IN A POST-MITIGATION TEST.

DOCUMENTING THE ERR:

- Pre-Construction:
 - ***If the UK Geologically Based Indoor Radon Potential mapping tool shows the project site is in the in the 0.0-2.7 pCi/L (light blue) category, radon testing is not required.***

- In the HEROS Contamination and Toxic Substances section add “Per the University of Kentucky Geologically Based Indoor Radon Potential map, a science-based data source cited by HUD in the February 27, 2024, “HUD’s Departmentwide Radon Policy Notice” webinar, the project site is in an area where the Indoor radon potential is between 0.0-2.7pCi/L, well below the EPA suggested radon action level of 4.0 pCi/L. Therefore, radon testing is not required for this project site under CPD Notice 23-103 section III(A)(ii)(3).” to both in both question 1 and the Compliance Determination narratives.
- ***If the UK Geologically Based Indoor Radon Potential mapping tool shows the project site is in any other category, radon testing must be conducted.***
 - Radon testing can only occur once construction is complete, therefore, CEST 58.5 level reviews subject to post-construction testing cannot convert to exempt. In HEROS, within the Contamination and Toxic Substances analysis, include a condition for post-construction radon testing followed by a mitigation plan if adverse levels are reported. Include any applicable compliance documentation as outlined in the documentation as outlined in the *HEROS Environmental Review Completion Guide-HOME Single Family* found on the [HCA Partner Agency Portal](#). *Note: the environmental preparer must update the ERR with the radon evaluation and proof of any required mitigation when complete.*
- ***Post-Construction:*** Once testing and mitigation, if applicable, is complete and there is documentation that the indoor radon levels are below 4.0 pCi/L, send environmentalreview@kyhousing.org the following documentation as applicable. Once KHC has approved this documentation and emailed the developer a copy of the completed ERR and closing documents have been approved by HCA, then developers may schedule closing.
 - Acceptable method to document testing completed by a certified radon measurement professional:
 - name of professional conducting mitigation, including NRPP Certification Number;
 - PDF of complete test results provided by the certified radon measurement professional; and
 - brief description of test results including date of test and indoor radon level measured in pCi/L.
 - Acceptable method to document DIY testing must include the following:
 - the test device (type, name of certified laboratory analyzing test results);
 - the time period of testing;
 - the test conditions (HVAC system off, outside temperature, etc.);
 - PDF of complete test results provided by the certified radon measurement professional;
 - brief description of test results, particularly indoor radon level measured in pCi/L; and
 - any other conditions relevant to test conditions.
 - Acceptable method to document radon mitigation must include the following:
 - name of professional conducting mitigation, including NRPP Certification Number;
 - proof of completion (invoice documenting scope of work, date of completion, and cost of completion);
 - brief description of mitigation methods employed; and
 - ongoing radon monitoring and mitigation plan.

Multi-Family Rehabilitation and New Construction Requirements

The American National Standards Institute/American Association of Radon Scientists and Technologists (ANSI/AARST) MA-MFLB-2023 radon testing standards for multi-family buildings, schools, and large buildings must be utilized. The ANSI/AARST MA-MFLB-2023 standard describes how to conduct testing, interpret test results, and draft a Radon Test Report to document the process for the building owner and to provide documentation for the ERR. The ANSI/AARST MA-MFLB-2023 standards can be viewed online for free and radon tests must be conducted by certified radon professionals. [Click here](#) to see an interactive map of radon professionals certified for measurement by the National Radon Proficiency Program (NRPP), the credentialing division of AARST.²

RADON MITIGATION: When radon testing determines indoor radon levels are at or above 4.0 pCi/L, a mitigation plan must be created, which includes the following:

- identifies the radon level at initial testing;
- considers the risk to occupants' health;
- describes the radon reduction system that will be installed;
- establishes an ongoing maintenance plan;
- includes a reasonable timeframe for implementation;
- requires post-installation testing; and
- **mitigation measures must be installed by a professional certified for radon mitigation.** Go to [Click here](#) to see an interactive map of radon professionals certified for mitigation by the NRPP.²

DOCUMENTING THE ERR:

- Pre-Construction:
 - ***If the UK Geologically Based Indoor Radon Potential mapping tool shows the project site is in the in the 0.0-2.7 pCi/L (light blue) category, radon testing is not required.***
 - In the HEROS Contamination and Toxic Substances section add “Per the University of Kentucky Geologically Based Indoor Radon Potential map, a science-based data source cited by HUD in the February 27, 2024, “HUD’s Departmentwide Radon Policy Notice” webinar, the project site is in an area where the Indoor radon potential is between 0.0-2.7pCi/L, well below the EPA suggested radon action level of 4.0 pCi/L. Therefore, radon testing is not required for this project site under CPD Notice 23-103 section III(A)(ii)(3).” to both in both question 1 and the Compliance Determination narratives.
 - ***If the UK Geologically Based Indoor Radon Potential mapping tool shows the project site is in any other category, radon testing must be conducted.***
 - Radon testing can only occur once construction is complete, therefore, CEST 58.5 level reviews subject to post-construction testing cannot convert to exempt. In the HEROS Contamination and Toxic Substances analysis, include a condition for post-construction radon testing followed by a mitigation plan if adverse levels are reported. Include any applicable compliance. *Note: the environmental preparer must update the ERR with the radon evaluation and proof of any required mitigation when complete.*
- Post-Construction: Once testing and mitigation, if applicable, is complete, and there is documentation that the indoor radon levels are below 4.0 pCi/L, send environmentalreview@kyhousing.org the following documentation as applicable. Once KHC has approved this documentation and emailed the developer a copy of the completed ERR, then developers may allow residents to occupy units provided all other occupancy requirements have been met.
 - Acceptable method to document testing completed by a certified radon measurement professional:
 - name of professional conducting mitigation, including NRPP Certification Number;
 - PDF of complete test results provided by the certified radon measurement professional; and
 - brief description of test results including date of test and indoor radon level measured in pCi/L
 - Acceptable method to document radon mitigation must include the following:

- name of professional conducting mitigation, including NRPP Certification Number;
- proof of completion (invoice documenting scope of work, date of completion, and cost of completion);
- brief description of mitigation methods employed; and
- ongoing radon monitoring and mitigation plan