

KENTUCKY COMMUNITY DEVELOPMENT BLOCK GRANT

2011 PROGRAM GUIDELINES



Department for Local Government
Office of Federal Grants
Tony Wilder, Commissioner
www.dlg.ky.gov



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**Department for Local Government
Office of Federal Grants
Commonwealth of Kentucky**

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SECTION I

KENTUCKY'S GOALS AND OBJECTIVES

The 2011 Kentucky Community Development Block Grant (CDBG) Program maximizes efficiency in program delivery and effectiveness of federal dollars. The following goals and objectives were adopted to promote community and economic development:

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

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

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

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

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

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

Goal 4: To improve the quality of life through funding community projects requested

by individual communities to enhance community pride and involvement and perpetuate local identity.

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

Goal 5: To assure that not less than 70% of the total amount of CDBG funds* received for Fiscal Years 2011, 2012 and 2013 shall be used for support of activities that benefit persons of low and moderate income.

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

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

SECTION II

NATIONAL OBJECTIVES

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

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

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

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

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

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

Required Documentation

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

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

An activity will meet this objective if:

1. It meets a definition of slum area, blighted area, deteriorated or deteriorating under Section 99.705 of Kentucky Revised Statutes (KRS); and
2. It contains a substantial number of deteriorating or dilapidated buildings throughout the area; and
3. The activity is designed to address one or more of the conditions that contributed to the deterioration of the area; or
4. The activity addresses an individual structure, which would otherwise meet the definition of slum or blight.

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

Required Documentation

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

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

An activity will meet this objective if it:

1. Addresses needs having a particular urgency because existing conditions pose a serious and immediate threat to the health or welfare of the community;

2. Is of recent origin (within 18 months) or which recently became urgent; and
3. Has no other available source to complete the funding package and the community cannot finance the activity on its own.

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

<http://www.dlg.ky.gov/NR/rdonlyres/BF0873FD-3206-43DE-9A20-9CEAF75941D1/0/AppendixBMeetingNatlObj.doc>

Required Documentation

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

SECTION III

GENERAL INFORMATION FOR APPLICANTS

A. **Eligible Applicants**

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

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

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

B. **Program Areas**

Applications may be submitted in the following program areas:

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

C. **Threshold Requirements**

Threshold requirements are those requirements that each community with a previous CDBG grant applying for a 2011 CDBG grant must meet prior to DLG accepting its grant application.

1. **Public Facilities, Housing and Community Projects**

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

Period Funded

2009-2010	80% of the grant funds expended, program income reports approved and audit requirements met prior to Application Submission
2008 and earlier	Final closeout issued or Notice of Completion issued, program income reports approved and audit requirements met to date

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

Period Funded

2008 and earlier	Final closeout issued or Notice of Completion issued, program income reports approved and audit requirements met to date
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- c. Previous CERF, Public Services, and Microenterprise Development grantees may apply for Public Facilities, Housing or Community Project funds if program income reports are approved and audit requirements are met to date.

2. Traditional Economic Development

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

3. Non-Traditional Economic Development

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

4. Microenterprise Development

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

the year subsequent to the grant award.

5. **Community Emergency Relief Fund**

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

6. **Public Services**

There are no threshold requirements for application.

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

Threshold requirements apply to all parties submitting a multi-jurisdiction application.

DLG reserves the right to refuse any application or condition any grant award based upon past performance, outstanding grant violations or continuing capacity to carry out funded activities in a timely manner.

D. **Types of Applications**

1. **Individual Applications**

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

2. **Multi-Jurisdiction Applications**

Cities and/or counties applying under Public Facilities or Self-Help, which share a regional project requiring participation from multi-jurisdictions and deriving a mutual benefit, may submit a multi-jurisdiction application. Cities and/or counties applying under Traditional or Non-Traditional Economic Development or Microenterprise Development sharing a mutual project

requiring joint action and deriving a mutual benefit may submit a multi-jurisdiction application. A lead applicant must be named for the multi-jurisdiction application. A multi-jurisdiction application solely for administrative convenience does not adequately address a mutual problem. Applicants wishing to submit a multi-jurisdiction application must receive prior written permission from DLG. DLG reserves the right to waive the multi-jurisdiction application requirements in any county not containing an incorporated city provided the level of funding does not exceed the established multi-jurisdiction ceiling.

E. Eligible Activities

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

F. Amount and Split of Funds

Kentucky's 2011 Allocation (estimate)	\$26,823,326
Less Administrative Costs (3% + \$100,000)	<u>904,700</u>
Total Amount for Distribution	\$25,918,626

<u>Program Areas</u>	<u>Total Dollars Available</u>
Public Facilities	\$7,500,000
Economic Development	7,400,000
Housing	4,000,000
Community Projects/Renaissance	4,000,000
Public Services (Recovery Kentucky)	2,600,000
Community Emergency Relief Fund	318,626
Microenterprise Development	100,000

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

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

severity of the emergency.

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

H. Number of Applications

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

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

I. Submittal of Applications

Applications must be submitted to:

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

J. Citizen Participation

Citizen participation requirements must be met as part of application requirements. The Act requires units of local government to provide reasonable opportunities for citizen participation, hearings and access to information with respect to local community development programs. At a minimum, a community must perform the

following activities:

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

2. Hold the first public hearing.
 - a. The main purpose of this hearing is to obtain views on housing and community development needs and review proposed activities. In addition, the hearing will review the proposed application and discuss social impacts, economic impacts, environmental impacts, project alternatives and solicit public improvements.
 - b. Advertise the hearing in accordance with state and federal laws. KRS 424.130 requires that the public hearing must be advertised at least once, not less than seven (7) nor more than twenty-one (21) days prior to the date of the hearing, in the newspaper of the largest circulation in the jurisdiction. Pursuant to KRS 446.030, the date of the hearing is not to be included in the computation of time. Example: For a public hearing scheduled on Tuesday June 8th, the newspaper advertisement must be published no earlier than May 18th and no later than June 1st. The notice must include the local TTD number which is (800) 648-6057 or state relay TTY number which is (800) 648-6056.

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

KRS 446.030, the date of the hearing is not to be included in the computation of time. The notice must include the local TTD number which is (800) 648-6057 or state relay TTY number which is (800) 648-6056.

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

5. Respond to public comments.

- a. Respond in writing to all written comments received during the public hearing process.
 - 1. Indicate comments were considered.
 - 2. Cite reasons for rejection if applicable.
 - 3. File comments and responses in the citizen participation file.
- b. Develop a complaint and grievance procedure where written complaints and grievances are answered in writing within fifteen (15) working days. Provide citizens the address, phone number and times for submitting complaints and grievances.

K. **eClearinghouse Review**

All CDBG applications are subject to the eClearinghouse Review Process and must have an endorsement to be approved for funding. Applicants for funding from the Community Projects/Renaissance, Housing and Public Facilities program areas must include an eClearinghouse **endorsement letter** as part of their application. **Failure to do so will disqualify the application.** In order to secure the endorsement, applicants must submit a request for review to the eClearinghouse at least thirty (30) days prior to submission of a CDBG application to DLG. The eClearinghouse submittal should be fully complete. Applicants requesting funding from the CERF, Economic Development, Microenterprise Development, and Public Services program areas must submit a request for review to the eClearinghouse at least by the application submission date.

All eClearinghouse submissions must be made electronically to DLG via

<https://eclearinghouse.ky.gov/>. Please follow the instructions for applicants and reviewers on the DLG website to have a timely and efficient review (<http://www.dlg.ky.gov/NR/rdonlyres/C6A21657-40AB-4C69-B153-750471AA4116/0/InstructionsforApplicants.doc>).

If the application is for water or wastewater projects, the WRIS Project Profile must be correct before you submit the project to the eClearinghouse. If submitting an application for Community Projects/Renaissance, Housing or Public Facilities, it is recommended that applicants work with the State Historic Preservation Officer (Kentucky Heritage Council) during the review process to ensure completion in a timely manner. It is highly recommended that supplemental documentation supporting the project review, such as pictures of the surrounding area and project site, maps of the project site, and detailed cost estimates, are submitted to the Kentucky Heritage Council. To work with the Kentucky Heritage Council please contact:

Yvonne Sherrick
Environmental Site Review Coordinator
Kentucky Heritage Council
300 Washington Street
Frankfort, Kentucky 40601
Phone: 502-564-7005, ext. 112

If you have any questions regarding the eClearinghouse review process please contact Ms. Lee Nalley (Lee.Nalley@ky.gov).

L. **Notice of Intent to Apply**

All applicants requesting 2011 CDBG funding are encouraged to submit a Notice of Intent to Apply. This form can be found at (<http://www.dlg.ky.gov/NR/rdonlyres/86A86AF0-0DC9-4240-AF0A-2EAA11F606F7/0/2011CDBGIntenttoApplyUpdate12011.doc>). This form is not to be confused with the previously used CDBG Presubmission form which is no longer applicable to the CDBG application process. The Notice of Intent to Apply may be submitted at anytime prior to application submittal. The form must be signed by the applicant's CEO.

The purpose of the Notice of Intent to Apply is to alert DLG that an application is forthcoming and set forth basic information on project activities and funding amount. There are several advantages to submitting the Notice of Intent to Apply. First, DLG

DLG will respond to the Notice and issue an invitation to meet to discuss the application if the applicant wishes. Other advantages include the fact that DLG will advise if all the funds in a particular program area have been committed and point out any potential eligibility or threshold issues observed.

M. **Standard 2011 Application Forms**

Standard 2011 forms are available at DLG or at Area Development District offices. Forms may also be downloaded from the DLG web page (www.dlg.ky.gov). A complete set of forms must be submitted and only current 2011 forms will be accepted. A separate application form is provided for each of the program areas.

N. **Site Visits/Consultations**

DLG has the option to make site visits to the project site and/or request applicants to meet with staff to discuss the application. Project questions may be presented to applicants via letter or email.

O. **Life of Application**

All 2011 applications, with the exception of Economic Development and CERF, not funded by June 30, 2012, are null and void.

P. **Notification**

Applicants will be notified when funding decisions have been made.

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

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

Undistributed funds are those 2011 monies that have not been obligated to a particular grantee by February 29, 2012. These funds can be from all program areas. If FY 2011 undistributed funds remain on February 29, 2012, those funds will be pooled (at this time, these undistributed funds may be obligated for use in other program areas for remaining 2011 applicants). Funds carried into the next program year will be allocated to one or more program areas and distributed in accordance with the Consolidated Plan.

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

Recaptured funds are those monies received during the 2011 CDBG program year from the 1998 through 2011 CDBG program. These funds can be from

any program area. Any CDBG funds recaptured during the 2011 CDBG program year may be allocated to one or more program areas based on need.

3. **Reallocated Funds**

Reallocated funds are those monies recaptured by HUD. Any CDBG funds reallocated by HUD during the 2011 CDBG program year will be allocated to one or more program areas and distributed in accordance with the Consolidated Plan.

4. **Program Income**

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

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

DLG reserves the right to recapture local program income from communities that fail to adequately meet statutory, contractual or regulatory requirements.

Use of program income must be approved by DLG.

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

The Section 108 Loan Guarantee Program allows a state to leverage up to five times its annual CDBG funds for large-scale economic development and community projects. In light of current market conditions and to encourage development in Kentucky, the Commonwealth is now considering applications from non-entitlement communities that the Commonwealth may submit to HUD on behalf of these

communities for the Section 108 Loan Guarantee program. Funds borrowed using Section 108 requires a pledge of the Commonwealth's current and future CDBG allocations. CDBG rules and requirements apply. DLG has developed specific Section 108 Guidelines for non-entitlement communities that may be interested in this program. You may view these guidelines at www.dlg.ky.gov. Please contact the DLG Office of Federal Grants for more information on this program.

SECTION IV

COMMUNITY EMERGENCY RELIEF FUND (CERF)

All CERF requests must meet the following criteria:

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

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

PROJECT SELECTION PROCESS

A. **Submission Dates**

Complete original applications for CERF projects will be accepted from April 1, 2011, through close of business on February 29, 2012.

B. **Notice of Intent to Apply**

A Notice of Intent to Apply may be submitted as referenced in Section III.

C. **Acceptance of Applications**

1. An original and one (1) copy of the complete and accurate standard CERF Project Application Form must be submitted.
2. Activities described in the application will be checked to determine if they meet the fundability criteria as established in the Housing and Community Development Act, including that an emergency exists that meets the National Objective as prescribed in 24 CFR 570.483(d).

3. Project activities must meet one of the three National Objectives as referenced in Section II.
4. The following requirements must be met, documented and submitted with the application:
 - a. The CERF Reimbursement Spreadsheet and evidence of payment, including invoices, cancelled checks, and force account labor records and equipment records if applicant is seeking reimbursement.
<http://www.dlg.ky.gov/NR/rdonlyres/D685629E-8666-4101-A6BC-E5752B5E6E1E/0/CERFprojectsummarysheet112310final.xls>
 - b. Documentation of the citizen participation requirements must be met as referenced in Section III.
 - c. Authorizing Resolution to submit the project must be included. The Resolution must be signed by the applicant's CEO, dated and attested.
 - d. The Certification of Community Needs Having a Particular Urgency form.
 - e. A copy of the Declaration of Emergency signed by the Governor.
 - f. All funding Commitment Letters; if cash please attach a bank statement, if loan please attach proof of commitment from lending institution to borrow funds. *(if applicable)*
 - g. The State eClearinghouse request for review must be submitted as referenced in Section III and the applicant must assure that it will comply with all environmental requirements promulgated in 24 CFR Part 58.
 - h. Letter of determination of eligibility for listing on the National Register of Historic Places from the Kentucky Heritage Council, and clearance from the State Historic Preservation Officer. *(if applicable)*
 - i. The HUD-2880, Applicant/Recipient Disclosure/Update Report
<http://www.hud.gov/offices/adm/hudclips/handbooks/hsg/4350.2/43502x18HSGH.pdf>.
 - j. For water and sewer projects all required planning documents (e.g. Wastewater Facilities Plans [WWFP] or the Kentucky Water Management Plans [KWMP]) must include or be amended to include the proposed sewer or water project. All sewer projects must have written approval from the Water Infrastructure Branch of the Division of

of Water (DOW). *(if applicable)*

- k. Applicants proposing water treatment activities, water storage activities, regional water service or connections must meet with the Water Infrastructure Branch of DOW to discuss *(if applicable)*. To arrange the meeting, contact:

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

D. **CERF Project Review Criteria**

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

1. **Project Need**

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

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

The project must substantiate that CDBG funding is necessary to meet the identified need(s), the impact of the CDBG dollars is maximized and the use of CDBG funds is reasonable. The state will determine whether all other feasible public and private funding sources have been analyzed and applied to the project.

3. **Project Effectiveness**

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

E. **Project Review Committee**

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

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

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

SECTION V

COMMUNITY PROJECTS/RENAISSANCE

PROJECT SELECTION PROCESS

A. **Submission Dates**

Applications for Community Projects will be accepted from April 1, 2011, through close of business on October 3, 2011.

B. **Notice of Intent to Apply**

A Notice of Intent to Apply may be submitted as referenced in Section III.

C. **Acceptance of Applications**

1. An original and one (1) copy of the complete and accurate standard Community Project Application Form must be submitted.
2. Activities described in the application will be checked to determine if they meet the fundability criteria as established in the Housing and Community Development Act.
3. Project activities must meet one of the three National Objectives as referenced in Section II.
4. The following requirements must be met, documented and submitted with the application:
 - a. Detailed Cost Estimate from a Certified Architect or a Licensed Professional Engineer. Please be cognizant of the required discipline needed to complete the project.
 - b. Documentation of meeting the citizen participation requirements must be met as referenced in Section III.
 - c. Authorizing Resolution to submit the project must be included. The Resolution must be signed by the applicant's CEO, dated and attested.
 - d. All funding Commitment Letters; if cash please attach a bank statement, if loan please attach proof of commitment from lending institution to borrow funds. *(if applicable)*
 - e. The eClearinghouse Review must be completed and endorsed as referenced in Section III.

- f. Applicant must have determination of eligibility for listing on the National Register of Historic Places from Kentucky Heritage Council and approval from the State Historic Preservation Officer.
- g. Letter signed by the applicant CEO stating how the applicant has met threshold requirements as stated in Section III.
- h. The HUD-2880, Applicant/Recipient Disclosure/Update Report <http://www.hud.gov/offices/adm/hudclips/handbooks/hsg/4350.2/43502x18HSGH.pdf>.
- i. All required planning documents (e.g. Waste Water Facilities Plans [WWFP] or the Kentucky Water Management Plans [KWMP]) must include or be amended to include the proposed sewer or water project. All sewer projects must have written approval from the Water Infrastructure Branch of the Division of Water (DOW) and approval must be dated within one (1) year of submission of the submission requirements.
- j. Applicants proposing water treatment activities, water storage activities, regional water service or connections must meet with the Water Infrastructure Branch of DOW to discuss. To arrange the meeting, contact:

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

D. Community Projects Review Criteria

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

1. Project Need

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

2. Necessary and Reasonable Expenditure of CDBG Funds

The project must substantiate that CDBG funding is necessary to meet the identified need(s); the impact of CDBG dollars is maximized and the use of CDBG funds is reasonable when compared with other funding sources. The state will determine whether all other feasible public and private funding

sources have been analyzed and/or applied to the project. In order to assure that funds are committed, funding commitments from public/private funding sources shall be included in the application. The commitments may be contingent on CDBG funding.

3. **Project Effectiveness**

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

E. **Project Priority**

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

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

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

Priority III: Applications in this category have met all program requirements. However, project needs, benefits and/or community involvement are less than that needed for Priority I or II. In addition, applicant has failed to provide at least 15% match of other funds. Projects in this category will be held until the final three months of the funding cycle and may be recommended for funding if funds are still available.

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

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

F. **Project Review Committee**

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

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

SECTION VI

ECONOMIC DEVELOPMENT

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

PROJECT SELECTION PROCESS

A. **Submission Dates**

Applications for Economic Development projects will be accepted from April 1, 2011, through close of business on February 29, 2012.

B. **Notice of Intent to Apply**

A Notice of Intent to Apply may be submitted as referenced in Section III.

C. **Acceptance of Applications**

1. A complete original and one (1) copy of the standard application form must be submitted.
2. Activities described in the application will be checked to determine if they meet fundability criteria as established in the Housing and Community Development Act, including the Public Benefit requirements as required by 24 CFR 570.482(e).
3. Project activities must meet one of the three National Objectives as referenced in Section II.
4. The following requirements must be met, documented and submitted with the application:
 - a. The citizen participation requirements must be met as referenced in Section III.

- b. Authorizing Resolution to submit the project must be included. The Resolution must be signed, dated and attested.
- c. The eClearinghouse request for review must be submitted as referenced in Section III.
- d. Applicant must have determination of eligibility for listing on the National Register of Historic Places from Kentucky Heritage Council and approval from the State Historic Preservation Officer (if applicable).
- e. Letter signed by the applicant CEO stating how the applicant has met threshold requirements as stated in Section III.
- f. Letter signed by the participating party assuring:
 - i. Commitment of full time employment, either created or retained (as applicable), and assurance of compliance with the LMI National Objective.
 - ii. Compliance with all Environmental requirements promulgated in 24 CFR 58 for non-exempt activity and further indicating that no obligation of funds will occur prior to DLG's environmental clearance.
 - iii. Commitment of Participating Party's investment.
- g. The HUD-2880, Applicant/Recipient Disclosure/Update Report <http://www.hud.gov/offices/adm/hudclips/handbooks/hsg/4350.2/43502x18HSGH.pdf>.
- h. All required planning documents (e.g. Waste Water Facilities Plans [WWFP] or the Kentucky Water Management Plans [KWMP]) must include or be amended to include the proposed sewer or water project. All sewer projects must have written

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

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

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

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

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

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

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

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

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

G. **Economic Development Projects Review Criteria**

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

1. **Permanent Jobs Created/Retained/Available**

Traditional Economic Development projects must create or retain jobs. Non-Traditional Economic Development projects can create or retain jobs or can qualify as noted below. When job creation/retention is claimed, no funds will be obligated without an assurance by the project's beneficiary (e.g. developer, industry, employer, etc.) that permanent full time/equivalent employment will occur as a result of CDBG expenditure. The beneficiary will provide the applicant a statement of:

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

The number of jobs being committed must be reasonable in relation to the

amount of the CDBG request. Permanent full time/equivalent jobs are calculated on a basis of 2000 hours per year.

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

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

3. **Applicability of Recaptured Funds**

Recaptured funds and any related earnings from CDBG Economic Development projects are retained by the recipient or designated subrecipient. These funds must be used for eligible CDBG activities (See Appendix A). The recipient must propose the method of collection, identify the potential activities to be funded and designate the subrecipient(s) responsible for collection, accounting and disbursement. **Use of program income must be approved by DLG.**

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

1. **Project Need**

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

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

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

3. **Project Effectiveness**

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

4. **Low and Moderate Income Qualification**

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

I. **Economic Development Project Review Process**

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

1. **Application Preliminary Review**

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

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

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

2. Project Priority

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

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

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

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

3. Project Review Committee

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

J. Negotiation

In some situations, a project will be eligible for partial funding or a change in loan

rate and term. In such instances, DLG may negotiate with the applicant to ascertain whether the project can be reduced in size or restructured financially.

K. **Life of Application**

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

L. **Applicant Appeals**

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

SECTION VII

HOUSING PROJECTS

PROJECT SELECTION PROCESS

A. **Submission Dates**

Applications for Housing projects will be accepted from April 1, 2011, through close of business on October 3, 2011.

B. **Notice of Intent to Apply**

A Notice of Intent to Apply may be submitted as referenced in Section III.

C. **Acceptance of Applications**

1. An original and one (1) copy of the standard application forms must be submitted.
2. Activities described in the application will be checked to determine if they meet fundability criteria as established in the Housing and Community Development Act.
3. Project activities must meet one of the three National Objectives as referenced in Section II.
4. The following requirements must be met, documented and submitted with the application:
 - a. Housing Detailed Cost Estimate from the DLG Website.
<http://www.dlg.ky.gov/NR/rdonlyres/CE4B9E1D-B4E4-42E0-A819-53B1D0CA19E7/0/DetailedHousingCostEstimate.xls>
 - b. The Homeowners List.
<http://www.dlg.ky.gov/NR/rdonlyres/9997684A-ED57-4A15-910D-018C7917A179/0/HomeownersList.xls>
 - c. The citizen participation requirements must be met as referenced in Section III.
 - d. Authorizing Resolution to submit the project must be included. The Resolution must be signed, dated and attested.
 - e. All funding commitment letters; if cash please attach a bank statement, if a loan please provide proof of ability to borrow funds.
 - f. The eClearinghouse Review must be completed and endorsed as referenced in Section III

- g. Applicant must have determination of eligibility for listing on the National Register of Historic Places from Kentucky Heritage Council and approval from the State Historic Preservation Officer.
- h. Letter signed by the applicant CEO stating how the applicant has met threshold requirements as stated in Section III.
- i. For Septic Systems, attach a copy of the letter sent to the local health department listing each structure receiving a new upgraded septic system. *(if applicable)*
- j. For involuntary housing projects that are part of a neighborhood revitalization project, provide documentation to substantiate compliance with KRS Chapter 99 by providing a copy of a City or County approved Redevelopment Plan, including compliance with the Uniform Relocation Act. *(if applicable)*
- k. For voluntary housing projects, provide proof of the publication announcement of the rehabilitation program, a copy of the household surveys, and the adopted Temporary Relocation Policy. *(if applicable)*
- l. Documentation to substantiate that conflict of interest provisions have been discussed with the governing body and possible recipients.
- m. The HUD-2880, Applicant/Recipient Disclosure/Update Report <http://www.hud.gov/offices/adm/hudclips/handbooks/hsg/4350.2/43502x18HSGH.pdf>.
- n. All required planning documents (e.g. Waste Water Facilities Plans [WWFP] or the Kentucky Water Management Plans [KWMP]) must include or be amended to include the proposed sewer or water project. All sewer projects must have written approval from the Water Infrastructure Branch of the Division of Water (DOW) and approval must be dated within one (1) year of submission of the submission requirements.

D. Housing Projects Review Criteria

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

1. Project Need

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

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

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

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

3. **Project Effectiveness**

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

E. **Project Priority**

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

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

housing project.

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

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

F. **Project Review Committee**

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

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

SECTION VIII

MICROENTERPRISE DEVELOPMENT

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

PROJECT SELECTION PROCESS

A. **Submission Dates**

Applications for Microenterprise Development projects will be accepted from April 1, 2011, through close of business on October 3, 2011.

B. **Notice of Intent to Apply**

A Notice of Intent to Apply may be submitted as referenced in Section III.

C. **Acceptance of Applications**

1. A complete original and one (1) copy of the standard application form must be submitted.
2. Activities described in the application will be checked to determine if they meet fundability criteria as established in the Housing and Community Development Act, including the Public Benefit requirements as required by 24 CFR 570.482(e).
3. Project activities must meet one of the three National Objectives as referenced in Section II.

4. The following requirements must be met, documented and submitted with the application:
 - a. The citizen participation requirements must be met as referenced in Section III.
 - b. Authorizing Resolution to submit the project must be included. The Resolution must be signed, dated and attested.
 - c. The eClearinghouse request for review must be submitted as referenced in Section III.
 - d. Letter signed by the applicant CEO stating how the applicant has met threshold requirements as stated in Section III.
 - e. Letter signed by the participating party assuring commitment of investment.
 - f. Copy of program curriculum to be offered.
 - g. The HUD-2880, Applicant/Recipient Disclosure/Update Report <http://www.hud.gov/offices/adm/hudclips/handbooks/hsg/4350.2/43502x18HSGH.pdf>.

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

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

E. **Microenterprise Development Review Criteria**

For a project to be funded; a determination must be made that CDBG funds are needed to accomplish the project and the amount of funds requested is reasonable

relative to micro-business growth potential and other funding associated with the project.

1. **Project Need**

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

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

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

3. **Project Effectiveness**

The application must substantiate that project accomplishments would be significant given the need, amount of funds requested, local effort and program design. The applicant must identify the proposed beneficiaries and identify which section of the Act determines eligibility.

F. **Microenterprise Development Project Review Process**

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

1. **Project Priority**

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

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

Priority II: Applications in this category have met all program

requirements and are fundable projects. Priority II applications can be funded by the committee or deferred if appropriate.

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

2. **Project Review Committee**

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

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

G. **Applicant Appeals**

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

SECTION VIII

PUBLIC FACILITIES

PROJECT SELECTION PROCESS

A. **Submission Dates**

Applications for Public Facility projects will be accepted from April 1, 2011, through close of business on October 3, 2011.

B. **Notice of Intent to Apply**

A Notice of Intent to Apply may be submitted as referenced in Section III.

C. **Acceptance of Applications**

1. An original and three (3) copies of the complete and accurate standard Public Facilities Project Application Form must be submitted.
2. Activities described in the application will be checked to determine if they meet the fundability criteria as established in the Housing and Community Development Act.
3. Project activities must meet one of the three National Objectives as referenced in Section II.
4. The Kentucky Drinking Water/Wastewater Project Profile (WRIS) must be electronically submitted to the Kentucky Infrastructure Authority. Please ensure all Profile information matches the information in the application.
5. The following requirements must be met, documented and submitted with the application:
 - a. Detailed Cost Estimate from a Licensed Professional Engineer.
 - b. Documentation of meeting the citizen participation requirements must be met as referenced in Section III.
 - c. Authorizing Resolution to submit the project must be included. The Resolution must be signed by the applicant's CEO, dated and attested.
 - d. Documentation supporting the commitment of other funds. *(if applicable)*
 - e. eClearinghouse endorsement letter as referenced in Section III.

- f. Letter signed by the applicant CEO stating how the applicant has met threshold requirements as stated in Section III.
- g. HUD-2880, Applicant/Recipient Disclosure/Update Report
<http://www.hud.gov/offices/adm/hudclips/handbooks/hsg/4350.2/43502x18HSGH.pdf>.
- h. All required planning documents (e.g. Waste Water Facilities Plans [WWFP] or the Kentucky Water Management Plans [KWMP]) must include or be amended to include the proposed sewer or water project. All sewer projects must have written approval from the Water Infrastructure Branch of the Division of Water (DOW) and approval must be dated within one (1) year of submission of the submission requirements.
- i. Applicants proposing water treatment activities, water storage activities, regional water service or connections must meet with the Water Infrastructure Branch of DOW to discuss. To arrange the meeting, contact:

Solitha Dharman, Supervisor
Engineering Section
Phone: (502)564-3410, ext. 4804
- j. Applicants proposing water or sewer line extensions must identify areas for service that have a minimum average of six (6) customers per mile. This does not apply to Self-Help Public Facilities projects.

D. Public Facilities Review Criteria

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

1. Project Need

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

2. Necessary and Reasonable Expenditure of CDBG Funds

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

state will determine whether all other feasible public and private funding sources have been analyzed and/or applied to the project. In order to assure that funds are committed, funding commitments from public/private funding sources shall be included in the application. The commitments may be contingent on CDBG funding.

3. **Project Effectiveness**

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

E. **Project Priority**

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

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

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

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

cycle and may be recommended for funding if funds are still available.

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

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

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

1. **Project Need**

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

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

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

3. **Project Effectiveness**

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

G. **Self-Help Project Priority**

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

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

Priority II: Applications in this category have met all program requirements, all other funds may not have been committed and/or engineering design may not have been completed. Regionalization issues are addressed where feasible.

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

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

H. **Project Review Committee**

The staff findings will be submitted to the review committee designated by the Governor. The committee will meet to evaluate projects based on the review criteria and staff comments. The committee will make a determination of approval, rejection or deferral. Projects that do not meet all three of the review criteria will not be funded. In the event that demand exceeds amount of funds available, those projects with the greatest need and effectiveness will be recommended for funding. In some situations, a project may be eligible for partial funding. In such instances, DLG may negotiate with the applicant to ascertain whether the project can be reduced in size or restructured.

I. **Negotiations**

DLG reserves the right to negotiate funding amounts and payment schedules with

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

SECTION IX

PUBLIC SERVICES

CDBG Public Services funds, in the form of operational costs to support the Recovery Kentucky Program, will be made available in 2011 to existing and new Recovery Kentucky Substance Abuse Centers. These centers serve individuals who have a history of substance abuse, with an emphasis on the homeless, those at risk of becoming homeless and those referred by the judicial system.

PROJECT SELECTION PROCESS

A. **Submission Dates**

Applications for Public Service projects will be accepted from April 1, 2011, through close of business on February 29, 2012.

B. **Notice of Intent to Apply**

A Notice of Intent to Apply may be submitted as referenced in Section III.

C. **Acceptance of Applications**

1. An original and one (1) copy of the complete and accurate standard Public Services Project Application Form must be submitted.
2. Activities described in the application will be checked to determine if they meet the fundability criteria as established in the Housing and Community Development Act.
3. Project activities must meet one of the three National Objectives as referenced in Section II.
4. The following requirements must be met, documented and submitted with the application:
 - a. The citizen participation requirements must be met as referenced in Section III.
 - b. Authorizing Resolution to submit the project must be included. The Resolution must be signed, dated and attested.
 - c. All funding Commitment Letters; if cash please attach a bank statement, if loan please attach proof of ability to borrow funds. (*if applicable*)

- d. The eClearinghouse Review must be submitted as referenced in Section III.
- e. The HUD-2880, Applicant/Recipient Disclosure/Update Report <http://www.hud.gov/offices/adm/hudclips/handbooks/hsg/4350.2/43502x18HSGH.pdf>.

D. Public Services Review Criteria

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

1. Project Need

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

2. Necessary and Reasonable Expenditure of CDBG Funds

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

3. Project Effectiveness

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

E. Project Priority

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

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

skills training, job responsibilities and practical living experiences.

New project applications in this category have met all program requirements and have a Conditional Approval Letter from the Kentucky Housing Corporation (KHC) to construct the facility.

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

New project applications in this category have met all program requirements and have submitted a Recovery Kentucky application to the Kentucky Housing Corporation (KHC) to fund construct of a facility.

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

New project applications in this category have neither a conditional approval letter or have submitted an application to Kentucky Housing Corporation (KHC) to construct a facility.

F. **Project Review Committee**

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

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

SECTION X

PERFORMANCE MEASUREMENT SYSTEM

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

CDBG (Community Development Block Grant)

HOME (Home Investment Partnership Program)

ESG (Emergency Shelter Grant)

HOPWA (Housing Opportunities for Persons with AIDS Program)

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

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

Objectives include:

- Suitable Living Environment
- Decent Housing
- Economic Opportunity

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

Outcomes include:

- Improved Availability/Accessibility
- Improved Affordability
- Improved Sustainability

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

PERFORMANCE MEASURES DEFINITIONS

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

Objectives:

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

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

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

Outcomes:

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

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

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