

Commonwealth of Kentucky 2022 Action Plan for Disaster Recovery



SUBSTANTIAL AMENDMENT 1

- Changing the affordability period and adding the Urgent Need national objective to the Single-Family New Housing Construction Program.
- Updating the program description, other program details, and method of distribution to explain the process if DLG administers the Owner-Occupied Rehabilitation and Reconstruction Program
- Removing the description of loan forgiveness over time.
- Adjusting the program award cap in the Owner-Occupied Rehabilitation and Reconstruction Program

Public Comment Period: July 25, 2025 to August 25, 2025

Date Submitted to HUD:

Date Approved by HUD:



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1 Executive Summary

Changes to the Action Plan

The purpose of this Action Plan Amendment (APA) 1 to the Commonwealth's 2022 Action Plan (approved by HUD in February 2024) is to modify program eligible activities as detailed in this document. This amendment is considered substantial according to the definition stipulated in the HUD Federal Register Notice [88 FR 32046](#) and in accordance with the State's citizen participation plan because it changes program eligibility criteria for programs and applicants.

2022 APA 1 is available in English and Spanish through DLG's website, <https://dlg.ky.gov/grants/federal/DR/Pages/default.aspx>, and can be requested by email at DLG.DR@ky.gov (Subject: 2022 Action Plan Amendment 1) or by contacting the Department for Local Government at 502-573-8382. To obtain a translated copy in a language other than Spanish, please contact Jennifer Peters, at 502-892-3469 or Jennifer.Peters@ky.gov. For hearing-impaired users, text telephone service is available at (TTY/TDD) 1-800-648-6056.

The public comment period for APA 1 will be open from 8 a.m. on July 25, 2025, to 5:00 p.m. on August 25, 2025.

Comments on the proposed amendment can be submitted via email to DLG.DR@ky.gov or to the attention of Jennifer Peters at the Department for Local Government, 100 Airport Road, 3rd Floor, Frankfort, KY 40601. All comments are given the same consideration regardless of the method of submission.

2 Updated Unmet Needs Assessment

Housing Unmet Needs

Housing in the disaster affected counties in Kentucky still face a serious and immediate threat to the health of their households and the welfare of the community due to housing insecurity.

The storms of July 2022 resulted in 8,980 homes in 13 counties in eastern Kentucky being impacted by the storm including 542 that were destroyed and 4,585 sustaining major damage. A 2023 report by the Ohio River Institute¹ estimates that to rebuild the destroyed or homes with major damage on less flood-prone areas would cost over \$800 million dollars. The average cost to construct a home in the area is approximately \$180,000. All income ranges were affected by the flooding, not just low-to moderate households.

¹ Dixon, E. and Shelton, E.D. (2023). *Housing Damage from the 2022 Kentucky Flood Report*. Ohio River Valley Institute and Appalachian Citizens' Law Center. <https://ohiorivervalleyinstitute.org/wp-content/uploads/2023/02/Housing-Damage-from-KY-2022-Flood.pdf>

According to an article from the Federal Reserve Bank of Cleveland ² one program has built 63 homes with 121 homes in the pipeline. Therefore, there is an immediate need for new housing construction with Walker Collins, the CEO of the Foundation for Appalachian Kentucky is quoted in the article as saying “We’re almost two years out from this [flood] and people still don’t have homes.”

3 Updated Program Details

Single Family New Housing Construction Program

Explanation of Modifications:

HUD requires grantees to, at a minimum, have affordability periods that meet HOME affordability requirements found at 24 CFR 92.254(a)(4). Currently, HUD is in the process of updating the HOME requirements which will change affordability periods. Therefore, DLG is taking out the current affordability period chart that contains required affordability period in years by the dollar amount of CDBG-DR assistance and modifying language in the Action Plan to align with the eventual new requirements at 24 CFR 92.254(a)(4).

HUD allows grantees to submit a substantial amendment up to 36 months after the applicability date of the grantee’s Allocation Announcement Notice (May 23, 2023) to add the Urgent Need national objective. Allowing the urgent need national objective for the Single-Family New Housing Construction program will allow more flood impacted households or those households that are housing insecure to have safe, clean, and affordable housing. DLG’s Single Family New Housing Construction program is attempting to rebuild as many homes as possible in less flood-prone areas known as high ground sites. Even though the state proposes to utilize the Urgent Need national objective to support new housing construction, direct subsidies to individual households will be limited to those making 120% or less of the AMI for the County.

Modifications:

- 1. Changing the affordability period. The Program Affordability Period section will be updated to:**

Affordability periods will be documented through a restricted use covenant, mortgage, or other legal and financial mechanism for the buyer of the single-family housing unit (defined as four units or less). Affordability periods will be based on the amount of

² Klesta, M. (2024). *Below the surface you still see it: the Eastern Kentucky Flood, Two Years Later*. Federal Reserve Bank of Cleveland. <https://www.clevelandfed.org/publications/notes-from-the-field/2024/nftf-20240717-eastern-kentucky-flood-two-years-later>

homeownership assistance provided to homebuyer at the time of closing and will meet the affordability periods described in the HOME requirements at 24 CFR 92.254(a)(4).

2. Removing the description of loan forgiveness over time. The Sale to Occupant section will be updated to:

Remove the following sentences “Each year of occupancy in the unit will result in a percentage of the CDBG-DR assistance taken off the amount due if the home should be sold prior to meeting the entire affordability period. The percentage forgiven each year will be outlined in the program policies.”

3. Adding the Urgent Need national objective. The Program National Objective(s) section will be updated to:

Assistance provided under this program will meet the national objective of benefiting LMI persons or households and Urgent Need.

Owner-Occupied Rehabilitation and Reconstruction Program

Explanation of Modifications:

DLG is updating the program description, other program details, and the method of distribution to more fully explain the process if DLG administers the program. DLG is finding that many jurisdictions in the disaster affected areas lack the capacity to administer the program. DLG is adjusting the program award cap amounts to allow for more assistance to rehabilitate or reconstruct homes damaged by the disaster. The rising cost of materials and labor make raising the maximum award cap necessary.

Modifications:

1. Update the program description to remove reference to the maximum award amount. The first paragraph of the This section will be updated to:

The Owner-Occupied Rehabilitation and Reconstruction program is intended to assist homeowners repair their homes, support rehabilitation of older and existing housing stock, and provide safe and decent housing opportunities for residents. The program beneficiaries will be eligible homeowners who experienced damage to their homes from the 2022 flood events and have remaining recovery needs after accounting for other benefits received. Because the program will benefit homeowners impacted by the 2022 flood events, the applicant must own the property as their principal place of residence and have damages resulting from the declared eligible disaster. Program guidelines will

document how DLG will work with applicants to ensure sufficient documentation of ownership and damage.

2. Update the Other Program Details to more align with either subrecipient administration or direct administration by DLG. This section will be updated to:

DLG or Subrecipients will administer the program. Most of the programs within the eligible areas will be administered by DLG and its procured contractor. In some eligible areas, local jurisdictions (subrecipients) may elect to administer the program. Subrecipient applicants will complete an initial reconnaissance of homes and beneficiaries in their jurisdiction eligible for rehabilitation and reconstruction prior to submitting an application to DLG. Potential beneficiaries will apply to the administrative entity depending on who is running the rehabilitation program for that eligible area. If the beneficiary is determined to be eligible, the administrative entity will complete an inspection of the applicant's property to document structural damage and develop a cost estimate for repairs or reconstruction. Based on this cost estimate, the administrative entity will conduct a duplication of benefits review with the applicant to ensure no other funds were provided for the same repairs. The results of the duplication of benefits review will determine the maximum award amount that will be verified by DLG. Program guidelines will outline the details of a maximum award, including how change orders or unanticipated scope increases will be addressed. Program guidelines will further detail eligible construction activities, including but not limited to exterior repairs, interior repairs, electrical, plumbing, mechanical, resilient mitigation, and lead abatement (when required by federal regulations). The administrative entity will develop a detailed scope of work and bid the project. The amount of the grant, or grant and loan depending on total award, will be secured through a lien with covenants and restrictions filed on the property. The beneficiary will not fund the contractor directly.

3. Update the Program Method of Description to more align with either subrecipient administration or direct administration by DLG. This section will be updated to:

For subrecipient led programs, DLG will post program guidelines and open an application. DLG will receive the applications and make funding decisions based on completeness of the application, compliance with threshold items, review of minimum score, and justification for funding. City, county, and tribal governments will apply to DLG to develop programs that will fund eligible homeowners. DLG will encourage applicants to consider leveraging other funds or look for financing options to fully fund the projects.

For DLG led program, DLG will contract with an entity to administer the program.

4. Adjusting the Program cap in the Maximum Award from \$100,000 per property to \$200,000 per property:

Applicants will apply to serve multiple beneficiaries within a jurisdiction. Each rehabilitated or reconstructed home is eligible for a maximum award of \$200,000 per property in the form of a grant for costs less than \$100,000 and a forgivable loan for

costs above \$100,000. Policies will also specify the process by which applications can be reviewed to identify situations where exceeding the maximum award amount may be necessary.

4 Summary of Public Comments

This section will be the summary of the public comments when they are received and DLG's responses.