

Chestnut Ridge Rental Questions

as of 06-11-2025

Please note that similar questions are grouped together with one answer following the group.

1. Infrastructure Completion

- **Section 1.3 states that the unit must be completed by December 15, 2025. However, Section 4.2 states that the infrastructure will not be fully complete by December 2025. While we can dry units in without having electricity available for the home, we are reluctant to finish a home without climate control, which requires electricity. Furthermore, even if we opted to finish the home, you cannot get a final electric inspection until the home is connected to the electric grid, and you cannot get a final plumbing inspection until the home is connected to water/sewer. It would be helpful to get clarification of when various utilities will be available to make sure the December 15th deadline is reasonable.**
- **Also, can you provide information about whether or not the road and curb/gutters will be completed before the start of construction? If the road, curbs, and gutters are not completed prior to the construction commencement, can the state guarantee alternative access to sites so construction can continue when the road is closed for gravel and paving and when the curbs/gutters are curing?**

The infrastructure in the section of Chestnut Ridge that will be conveyed to developers through this NOFA will be complete by December 2025. At this time, DLG cannot confirm whether curbs and gutters will be completed prior to the start of construction. DLG will coordinate with the selected developers and the Transportation Cabinet to ensure access and provide detailed information on the status of the improvements.

2. Occupancy/Resident Qualifications

- **Who is eligible for rental housing? Thinking about families impacted by the flooding events? If flood impacting is a requirement to rent then what level of impact is required? And for how long would this be in effect on this 20-year monitored project?**
- **Section 3.4 indicates that the rental housing “allow households impacted or displaced by the 2021 and 2022 flooding disaster . . .”. Will units created under this NOFA have to be rented to flood impacted/displaced households?**

Any household who meets the income requirements are eligible for the rental housing at Chestnut Ridge. In the initial lease-up period, if there are more applicants than units available, flood survivors will receive priority processing in the application process in the initial lease-up period.

- **Are there any flood requirements to move into a rental unit? Does the tenant have to be a survivor?**

While there is no requirement for tenants to be directly impacted by the flooding event, those who demonstrate a direct impact will receive priority in the initial lease-up period if units are oversubscribed (first year only).

- **Will there be a rental applicant pool that organizations could pull prospects from or does each agency have to create their own?**

Fahe will refer all interested persons to the rental developers. It is also expected that developers will have their own marketing plan and will seek tenants for their units.

3. Project Timeframe

- **Section 5.2 states the max award is limited to the number of housing units the applicant can complete within 24 months. However, the Projected Schedule of Events shows a 27.5 month construction period (9/15/25 to 12/31/27). Which timeframe should we use when calculating how many units to apply for?**

Per Section 5.2, determine how many units can be completed within 24 months, beginning on the first day of construction of the first unit.

- **NOFA 5.11 There is a clear statement of rental occupancy here... The Homeownership side is not this clear. Is Homeownership occupancy requirement more restrictive than rental housing?**

The Rental NOFA differs from the Homeownership NOFA and has different timeliness requirements. Regarding Section 5.11 in the rental NOFA, construction of all units must be completed within 24 months after commencement of construction. All units must be leased within 12 months after completion of construction.

For the Homeownership NOFA, construction of all units must be completed within 24 months after commencement of construction. There is not a timeframe for selling units in the homeownership NOFA – that will be determined on a case-by-case basis for each project based on economic and market conditions at the time the funding agreements are executed.

4. Tenant Income Qualification/Rents

- **Section 5.7 says tenants must meet the income limits. Can you confirm that the waiver discussed in Section 3.3 applies and that the income limit for these units would be 80% of the statewide median income?**

Yes, the waiver is applicable to rental projects and the 80% statewide limits will apply.

- **Section 5.7 also discusses annual income recertification. What will be required if a tenant who was income eligible at lease-up has an increase in income and is over-income at recertification?**

DLG will follow the HOME requirements for over-income households, unless other, more restrictive requirements are in place by other funding sources. DLG will provide additional information shortly.

- **Section 5.8 states that the maximum rent is “65% HOME rent limit” and references Exhibit 8. Exhibit 8 does not have a row for “65% HOME.” I believe the High Home rent is sometimes referred to casually as the 65% rent limit because it is based roughly on what is affordable to someone making 65% of AMI. Can you please specify whether the rent limit for this NOFA is the High HOME Rent or the rent listed as the 65% Rent Limit in Exhibit 8?**

Exhibit 8 shows the HOME program rents for the State – the 65% rent in the Exhibit is a HOME program rent and is the correct rent limit for Chestnut Ridge. Keep in mind that this limit is updated annually and the new 2025 rent limits for Knott County can be found here: [HOME RentLimits State KY 2025.pdf](#)

- **Section 5.8.1 discusses utility allowances. Solar panels may be installed on the rental units to insure long-term affordability. If we do install solar panels, may the standard utility allowance be reduced to reflect the savings resulting from solar?**

The utility allowance must reflect the cost to the tenants. If the costs are expected to be lower, propose an alternative, with supporting information, in the application for DLG approval.

5. Section 504/UFAS Questions

- **Section 6.8 discusses accessibility requirements. In this discussion the phrases “multifamily rental projects” and “multifamily developments” are used. However, this NOFA is entitled “Single Family Rental Housing.” Since this is single family rental will Section 504 of the Rehabilitation Act of 1973 apply?**
- **It is my understanding UFAS is only applicable to multi-family projects with 5 or more units. See Notice CPD-05-09: Accessibility Notice - Section 504 of the**

Rehabilitation Act of 1973 and The Fair Housing Act and Their Applicability to Housing Programs funded by HOME and CDBG

(<https://www.hud.gov/sites/documents/05-09cpdn.doc>) and 24 CFR Part 8 Subpart C (<https://www.law.cornell.edu/cfr/text/24/part-8/subpart-C>).

- Our application is going to look more like scattered site single family rental housing as opposed to a true definition of multi-family rental housing.

Note: NOFA 6.4 states the requirement of KHC's MDS which do employ accessibility standards such as wider hallways, door openings, bathroom lay out and reinforcement installed for grab bars.

- NOFA 6.8-Designs must adhere to UFAS. Is meeting the requirements of UFAS necessary for the development of rental housing less than 5 units under one roof?

For the Rental Housing NOFA, DLG is imposing the Multifamily Section 504 requirements for accessibility. The project proposals must include 5% (or a minimum of 1) of the units to be accessible for persons with mobility disabilities. An additional 2% (or a minimum of 1) of the total units must be accessible for persons with hearing or visual disabilities. These units must be constructed in accordance with the Uniform Federal Accessibility Standards (UFAS) or a standard that is equivalent or stricter.

- NOFA 6.8 – What is the definition of an accessibility shower? The definition really matters to us when it comes to existing KHC approved plans. KHC allows curbed showers to meet a similar requirement. A fully accessible roll in shower being required could change our whole floor plan and the sizes of the homes. More clarity on the shower requirements would be appreciated.

If an accessible shower is being provided in a unit to meet the Section 504 requirements, then the UFAS requirements will apply. If the accessible shower is in a unit that is not an accessible unit under Section 504, then the KHC requirements for accessibility are sufficient.

6. Duplication of Benefits

- Section 8.1 discusses duplication of benefits. How does duplication of benefits apply to rental housing? Will potential tenants who have received FEMA or other disaster assistance be treated any differently than a tenant who has not received assistance? If so, how?

Duplication of benefits (DOB) does not apply to the tenants. This language is included because the funding source of the NOFA is CDBG-DR and will only apply if the developer is utilizing a source of funds that was received specifically due to the disaster. It is not anticipated the DOB will apply but DLG will reach out if any other sources appear to trigger DOB.

- **NOFA 6.13.1 – Under 6.13.1 regarding Duplication of Benefits I would like to seek some clarity. It mentions funds received from other local, state, or federal program funds, and private or nonprofit organization funds. Would this include our standard program dollars such as Affordable Housing Trust Fund, HOME funds, or RHTF awards that we have received? This could read as if we need to expend every dollar that we have before accessing CDBG-DR funds for the applicants.**

Duplication of benefits only applies to funds that were received for the proposed project as a direct result of the disaster. Regular program funds are not subject to DOB. DLG will reach out with any questions.

7. Inspections/Certificate of Occupancy/Warranty

- **Section 5.11 of the NOFA states in part, “Homes must have a certificate of occupancy within 24 months...” It is our understanding that there is no code enforcement official in Knott County, KY. From whom will developers be required to be a CO?**

DLG and Fahe will provide inspection services, and a completion certificate or another document comparable to a certificate of occupancy will be provided.

- **Section 9.1 of the NOFA states in part, “Homes must have a certificate of occupancy within 24 months of commencement of construction and all homes must be sold to eligible buyers and the contract completed by the date listed in the funding agreement.” Will developers be required by the funding agreement to sell the rental units eventually? And, relatedly, who/what constitutes an eligible buyer for a rental unit?**

The rental development will have a 20-year affordability period and the developer may not sell the unit to a buyer at any point during that period. DLG will not consider lease-to-own proposals at this time.

An amendment to the NOFA will be issued to correct the discrepancy in Section 9.1.

- **NOFA 6.11.2 KCBDG DR guidelines. What document is this referring to or where can this standard be found?**

This refers to the guidelines in the NOFA throughout Section 6, including Section 6.4 which identifies the Kentucky Housing Corporation Construction Guidelines as the standard to be used for the project.

- **Section 6.13 of the NOFA states in part, “the developer is required to provide a one-year post-construction warranty period to the rental project owner, with an effective date upon sale of the unit.” If a developer retains ownership of the rental units for at least one year after completion of the unit, is this condition still applicable. In other words, if a developer elects to sell a rental unit 10 years after completion, and is allowed by DLG to do so, does the developer still owe a one-year warranty to the new owner?**

The warranty period is a CDBG-DR requirement and is applicable only in the first- year post-construction. If the developer retains ownership of the property in the same entity name, any repairs that are construction-related must be at the developer’s expense and not be paid from the operating budget of the property.

If the ownership entity is different from the development entity, such as an LLC, then the development entity must provide the written warranty to the ownership entity, even if the LLC members are the same entity. Any construction-related repairs must be provided by the development entity and not paid from the operating budget of the property.

8. Davis-Bacon

- **NOFA 6.12.1: How does David Bacon affect volunteers and paid internships?**

Volunteers are exempt from Davis Bacon requirements. Paid internships are subject to Davis-Bacon requirements.

9. Development/Operating Costs

- **NOFA 5.4.6 Replacement Reserves: How will the RR be structured? Is there an upfront dollar commitment for the developer to fund the RR? Monthly Payments into a fund? Other?**

It is expected that the property owner will make annual deposits to the replacement reserve in the amount of \$400/unit/year. The owner can structure these deposits in any way that is feasible – DLG will only monitor the balance of the account, not whether the deposits are made monthly or annually. Monitoring of the replacement reserve will begin after the first full year of operations.

- **Section 5.4.1 details the allowable contractor fees. This fee structure seems to be similar to a typical fee structure for multifamily buildings as opposed to single family houses. The construction cost profile of multifamily buildings is significantly different (read higher) than the cost profile for single family units. For single family rental development would DLG adopt a fee structure similar to what is allowable under single family homeownership?**

The fees listed in the NOFA are the maximum allowable fees if a general contractor is hired and is a different entity than the developer. Lower fees than those listed are allowable.

- **Section 5.4.7 details the property management fee. If we are managing the units in-house can we use the allowed fee for the basis of our budget or do we need to detail cost such as staff time, utilities, etc.?**

It is expected that the property management fee is in addition to the other operating expenses including utilities, maintenance, and on-site staff salaries (either full-time or prorated). The property management budget must be included. Not every line provided for the property management budget needs to be identified – include the basic categories of the budget.

- **Section 5.6 states that the Commonwealth reserves the right to require an extended ALTA title insurance policy . . .” Should we include the projected cost of this title insurance in our budget?**

Include the projected cost for a title insurance policy if other funding sources will require title insurance.

- **NOFA 9.2 Scoring Criteria Written Question: If we use of our own funds towards project does this count for points?**

While not required, there are additional points for leveraging other funding sources.

10. Design/Construction Requirements

- **What is the expected total amount of rental units?**

There is no predetermined number of rental units planned for the site at this time.

- **Is it one rental unit per lot or are attached (ie duplexes) allowed?**

DLG will accept proposals that include more than one rental unit per lot. The units must be one-story in height and must meet the requirements in the geotechnical report.

- **Do you expect a demand for smaller rentals (ie 1 and 2 bedroom)?**

Yes, there is a need for smaller rental units. See the Chestnut Ridge Markey Study for more information regarding the demand based on household size.

- **On the NOFA call I believe it was mentioned that we must use approved plans. If so, who approves? There is no local code jurisdiction who is able to perform this task.**

Does DLG approve? Our plans are all approved by KHC, is this adequate?

- **Are there house size requirements/restrictions?**

- **What are the thoughts to keeping design cohesiveness throughout the development?**
- **Are there design standards? For example, are there siding, finish, materials requirements/standards?**

See Section 6, specifically Sections 6.2 and 6.4 of the Rental NOFA.

- **Are storage sheds allowed/required?**

There is no prohibition or requirement for storage sheds.

- **Are there landscaping requirements? For example, trees, shrubs, and grass?**

There are no specific landscaping requirements. It is expected that landscaping will be a component of the total development cost.

- **If landscaping happens, is there any thoughts about new trees planted blocking the sun of future roof top solar installation.**

This has not been contemplated for the project. The developer should work with the architect or other professionals to ensure appropriate placement of solar equipment.

- **Will the DLG provide topsoil to help grass grow?**

No, landscaping costs should be included in the total development budget.

11. Funding Structure

- **Section 5.5 describes the financing structure as a “0% interest funding agreement with a promissory note and will be secured with a mortgage.” If additional outside funding is required, can the DLG mortgage be a second mortgage allowing the outside funding to take first position? Additionally, can you clarify the long-term disposition of this mortgage? Does it become a forgivable mortgage matching the affordability period? Is it simply a deferred mortgage for the life of the project? Is it something else?**

The CDBG-DR mortgage can be subordinate to other funding. The terms of the mortgage will be negotiated for each rental project in in case there are other funding sources with specific requirements for subordinate debt.

12. Long Term Compliance

- **Who is responsible for the oversight of the rental property?**
- **NOFA 6.12 – It says the developer must manage day to day compliance. What does day-to-day compliance include?**

The owner (assuming developer retains ownership after completion) of the property is responsible for the management of the rental property and meeting CDBG-DR compliance requirements. It is expected that the owner will contract with an experienced affordable housing property management agent. DLG will monitor rental properties for compliance through the 20-year affordability period. Tenant leases should reflect the maintenance requirements for the tenants and property owner.

13. Deed Restrictions

- **Will there be any deed restrictions on site? If not, there is concern about the way things could look in a few years. No one wants to police these restrictions but from experience, if restrictions are included in deeds it gives neighbors the ability to take their concerns to the civil courts to enforce the restrictions on the properties.**
- **What are the plans to protect the future integrity of the site from common problems that often arise from neighbors? With no local code/permitting jurisdictions, it could turn into the wild west unless these type of issues are considered.**

The issue of deed restrictions at Chestnut Ridge is being reviewed at this time. A decision will be made prior to execution of award agreements with developers.