KENTUCKY
COMMUNITY DEVELOPMENT BLOCK GRANT

2026 PROGRAM GUIDELINES

Department for Local Government
Office of Federal Grants
Matt Sawyers, 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 2026 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 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. Promote energy efficiency in new construction and rehabilitation projects especially the use of Energy Star qualified products.

Goal 5: To improve the lives of citizens by helping them overcome chemical addictions and avoid the risk of homelessness.

Objectives:

a. Provide operational costs to support new and existing residential substance abuse centers.

b. Provide support to educational programs for at-risk or LMI persons with substance abuse issues.

Goal 6: To assure that not less than 70% of the total amount of CDBG funds* received for Fiscal Years 2026, 2027 and 2028 shall be used for support of activities that benefit persons of low and moderate income.

Objectives:

a. Expand economic opportunities principally for persons of low and moderate income.

b. Provide public facilities that are necessary to the public health and safety principally for persons of low and moderate income.

c. Improve the quality of existing housing stock and the availability of housing units principally for persons of low and moderate income.

d. Improve the quality of life through funding community projects requested by individual communities to enhance community pride and involvement and perpetuate local identity.

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

SECTION II

NATIONAL OBJECTIVES

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

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

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

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

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

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

Required Documentation

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

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

An activity will meet this objective if:

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

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

Required Documentation

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

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

An activity will meet this objective if it:

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

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

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

Required Documentation

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

SECTION III

GENERAL INFORMATION FOR APPLICANTS

A. Eligible Applicants

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

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

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

B. Program Areas

Applications may be submitted in the following program areas:

1. Community Projects (See Section IV)
2. Economic Development (See Section V)
3. Housing (See Section VI)
4. Public Facilities (See Section VII)
5. Public Services (See Section VIII)

C. Threshold Requirements

Each community with a previous CDBG grant applying for a 2026 CDBG grant must meet the following threshold requirements prior to DLG accepting its grant application: KRS 91A.040 for Cities and KRS 43.070 and KRS 64.810 for Counties.

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 all the following threshold requirements are met at a minimum of 30 days **prior** to application submission.

Period Funded

2024-2025	80% of the grant funds expended, program income reports current and approved, and audit requirements met prior to application submission.
2023 and earlier	Final closeout or Notice of Completion issued, program income reports current and 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. KRS 91A.040 for Cities and KRS 43.070 and KRS 64.810 for Counties.

Period Funded

2023 and earlier	Final closeout or Notice of Completion issued, program income reports current and approved, and audit requirements met to date. KRS 91A.040 for Cities and KRS 43.070 and KRS 64.810 for Counties

c. Previous CERF and Public Services grantees may apply for Public Facilities, Housing or Community Project funds if program income reports are current and approved, and audit requirements are met to date.

2. **Traditional Economic Development Applicants**

must have a current and approved program income report if applicable and audit closeout requirements met to date per KRS 91A.040 for Cities and KRS 43.070 and KRS 64.810 for Counties

3. **Non-Traditional Economic Development Applicants**

must have a current and approved program income report if

applicable and audit closeout requirements met to date. KRS 91A.040 for Cities and KRS 43.070 and KRS 64.810 for Counties

4. **Public Services**

There are no threshold requirements for application submittal.

An applicant may appeal the threshold requirements in writing to the Commissioner of DLG at a minimum of 30 days **prior** to application submittal. When requesting a waiver, please inform the appropriate program manager. 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 requirements are 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 or activities alleviate problems either inside or outside its jurisdiction, provided the activity 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 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 2026 Allocation ESTIMATE based on proposed HUD allocation:

	$25,894,683
Less Administrative Costs ($776,840 (3%) + $100,000)	$ 876,840
Total Amount for Distribution	$25,017,843

Program Areas	Total Dollars Available
Public Facilities	8,834,662
Economic Development	3,300,000
Housing	4,570,502
Community Projects	5,712,679
Public Services (Recovery Kentucky)	2,600,000

Some minor adjustments of the split of funds are 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. Any resulting projects must meet the qualifying factors for ‘Activities Designed to Meet Community Development Needs Having a Particular Urgency’ as stated on page 5 item C. In such instances, funding levels can be adjusted as necessary based on the extent and severity of the emergency.

G. **Grant Ceilings**

	Individual	Multi-Jurisdiction
Public Facilities		
Treatment plants	**$**1,500,000	**$**3,000,000
Lines/pumps/meters/tanks	$1,250,000	$2,500,000
Self-Help	$300,000	$600,000
Economic Development		
Traditional	$ 1,000,000	$2,000,000
Non-Traditional	$300,000	$600,000
Housing	$1,000,000	NA
Community Projects	$850,000	NA
Public Services (Recovery Kentucky)		
Existing Facilities	$200,000	

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 with an existing Recovery Kentucky center may submit one application in the Public Services (Recovery Kentucky) program area. A jurisdiction is not limited in the number of applications in the Economic Development program area. Each program area requires its own respective application (ex: a Public Facilities application may not be used to apply for another program area).

I. **Submittal of Applications**

Applications must be submitted to:

DLG.OFG@ky.gov

If the application is over 50 pages please submit a hard copy in addition to the email version.

By the date set forth in each program area

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. Pursuant to KRS 446.030, the date of the hearing is <u>not</u> 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 TTY 711. All advertisements shall be published, pursuant to KRS 424.120, in the newspaper of largest bona fide paid circulation that publishes in the publication area. A newspaper is considered to "publish" in the publication area **only** if it maintains its principal office in the publication area. "Publication area" means "the city, county, district, or other local area for which an advertisement is required by law to be made."

c. Undertake and document additional advertisements to reach low and moderate income persons. Such efforts could include:
   1. Distributing or posting of leaflets at neighborhood groceries, churches and community centers.
   2. Door-to-door distribution announcements.
   3. Provide radio (and television if available) and internet (zoom), etc.) 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. Guidance on analyzing the project service area for persons with limited English proficiency is provided in DLG's 2021 CDBG Handbook, Chapter 1, Section 1-D and Chapter 7, Section 7-B.

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. Pursuant to KRS 446.030, the date of the hearing is not to be included in the computation of time. The notice must include the local TTD number which is (800) 648-6057, or the state relay TTY number which is (800) 648-6056, or 711.
   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.

Community Projects, Housing and Public Facilities applicants **must** include an eClearinghouse (ECH) letter as part of their application.

Economic Development and Public Services applicants must submit a request for review to the eClearinghouse at least by the application submission date and include the State Applicant Identifier Number (SAI #) in the application.

While most eClearinghouse reviews can be completed within thirty (30) business days, some reviews may take longer depending on the particular project circumstances and applicants must allow for that additional time. Failure to do so **will** disqualify the application.

All eClearinghouse submissions are to be electronic. Please use the instructions link on the ECH website located on the DLG website to have a timely and efficient review.

If the project application is for water or wastewater activities, the WRIS Project Profile must be complete and the information must match that submitted to the eClearinghouse. If, the WRIS Project Profile requires updating after eClearinghouse submittal, the eClearinghouse application must be withdrawn and re-entered to match the WRIS Project Profile.

It is recommended that applicants work directly with the State Historic Preservation Office (Kentucky Heritage Council) during the eClearinghouse review process to ensure completion in a timely manner. Please go to the Kentucky Heritage Council's website (Site Protection Program) as soon as possible and follow the directions for electronic Section 106 submissions. KHC's response usually takes up to 30 days. Should KHC require additional information, the review will take longer. Documentation supporting the project review includes a Section 106 Cover Sheet, brief project description, map(s), and photographs of the project area and vicinity. Results of preliminary records reviews from the Site

Identification Section at KHC and/or the University of Kentucky's Office of State Archaeology may also be necessary. Please note, for applicants to receive their funding or permitting they must obtain a letter from the Kentucky Heritage Council providing their determination of eligibility for your undertaking or project. In most cases, this will be in addition to the eClearinghouse endorsement. For assistance at the Kentucky Heritage Council please contact:

Nicole Konkol
Kentucky Heritage Council
Barstow House
410 High St.
Frankfort, KY 40601

If you have any questions regarding the eClearinghouse review process please contact DLG.ECH@ky.gov.

L. **Standard Application Forms**

All new applications are to be submitted using the standard 2026 forms. A separate set of application forms is provided for each of the program areas. Standard 2026 forms may be downloaded from the DLG website (www.dlg.ky.gov).

M. **Site Visits/Consultations**

DLG **highly recommends** applicants to meet/discuss with CDBG staff, either **in person or via internet media**, at the minimum of 45 days prior to submission of an application. DLG has the option to make site visits to the project area. Applicants may receive project questions via letter and/or email.

N. **Life of Application**

Unsuccessful Community Projects, Housing, Economic Development and Public Facilities applications submitted during the 2025 application cycle **may** be eligible for reconsideration, in the same program area, during the 2026 application cycle with **prior** approval from DLG. Said approval to roll an application over to the succeeding application cycle will require a request signed by an applicant's CEO and a written determination from DLG that the application remain eligible and any proposed change is minimal. If approval is granted, the applicant will be notified if any extra submittals are required.

O. **Notification**

Applicants will be notified in writing when funding decisions have been made.

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

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

Undistributed funds are those 2026 monies that have not been obligated to a particular grantee by March 1, 2027. These funds can be from all program areas. If 2026 undistributed funds remain on March 1, 2027, those funds will be pooled (at this time, these undistributed funds may be obligated for use in other program areas for remaining 2026 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 2026 CDBG program year from the 2018 through 2025 CDBG program years. These funds can be from any program area. Any CDBG funds recaptured during the 2026 CDBG program year may be allocated to one or more projects based on need.

3. **Reallocated Funds**

Reallocated funds are those monies recaptured by HUD and redistributed to the states. Any CDBG funds reallocated by HUD and received by Kentucky during the 2026 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 local government or a sub-recipient of a unit of general local government that was generated from the use of CDBG funds. The program income must be reported to DLG on the next draw request and expended on the next eligible CDBG activity unless the funds are set aside in a revolving loan fund for a specific preapproved use. 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 $35,000 received in a single year that is received by a unit of general local government and its sub-recipients.

b. Amounts generated by activities eligible under Section 5305(a)(15) of the Act and carried out by a DLG designated Local Development Authority (LDA).

DLG reserves the right to recapture local program income and LDA held proceeds from communities that fail to adequately meet statutory, contractual or regulatory requirements, fail to market and use the funding in an expeditious manner or when needed to address other significant state established needs and priorities. Local use of program income and LDA proceeds must be approved by DLG.

Q. HUD Section 108 Loan Guarantee Program

The Section 108 Loan Guarantee Program allows a state to leverage up to five times its annual CDBG funds for large-scale economic development and community projects. 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. These guidelines may be viewed at www.dlg.ky.gov. Please contact the DLG Office of Federal Grants for more information on this program.

R. Procurement – Open Competition

KCDBG procurement must be conducted in a manner that ensures full and open competition consistent with the standards set forth in 2 CFR Part 200 and the KCDBG Procurement Code. All services to be provided must be procured in accordance with 2 CFR Part 200 and the KCDBG Procurement Code. Actions that might restrict competition would include:

- Placing unreasonable requirements on firms in order for them to qualify to do business.

- Requiring unnecessary experience.
- Prior knowledge of the proposed project.
- A cost-plus-construction contract is not allowed, and the contract must contain a not to exceed clause and amount.

SECTION IV

COMMUNITY PROJECTS

PROJECT SELECTION PROCESS

A. **Submission Dates**

Applications for Community Projects will be accepted from April 1, 2026, through September 1, 2026.

B. **Acceptance of Applications**

1. A complete original standard Community Project Application 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 aware, we will only accept Detailed Cost Estimates from the appropriate professional.
    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 numbered, 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 a lending institution *(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.

i. Projects containing water and sewer activities must meet all Kentucky Division of Water (DOW) planning requirements. Proposed projects must be included in facility planning documents required by DOW such as: Kentucky Water Management Plans (KWMP), Wastewater Facilities Plans (WWFP) or Asset Inventory. A letter from the Municipal Planning Section of DOW approving the relevant plan is required, if applicable. Said approval letter must be dated within one (1) year of application submission. For information on these plans, contact:

Jason Lambert
Municipal Planning Section
jason.lambert2@ky.gov

j. For water projects applicant must provide a letter from the distribution system and/or water treatment plant stating they have sufficient capacity to address the demand.

k. For wastewater projects applicant must provide a letter from the collection system and/or wastewater treatment plant stating they have sufficient capacity to receive and treat the sewage.

l. Projects containing water and sewer activities are encouraged to submit a letter from the Division of Water (DOW) approving plans and specifications (plans and specification approvals are good for a period of two (2) years). For information on these plans, contact:

Terry Humphries, Supervisor
Engineering Section
terry.humphries@ky.gov

m. Copy of approval letter from Housing Building and Construction (HBC), if applicable.

C. Community Projects Review Criteria

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

1. **Project Need**

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

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

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

3. **Project Effectiveness**

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

D. **Project Priority**

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

Priority I: Applications in this category have met all program requirements and have a minimum of a 15% match of total project costs*. 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 10% match of total project costs*. 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 may have failed to provide at least 10% match of total project costs and/or other funds are not firmly committed.

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

*Only firmly committed matching funds in the form of supplemental financing (i.e.: loans, cash, other grant funds, etc…) will be accepted to meet the 15% or 10% match requirements. **In-kind donations and contributed property will not be accepted as match.**

E. **Project Review Committee**

The findings will be submitted to the review committee designated by the Commissioner. 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 V

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, childcare and transportation.

PROJECT SELECTION PROCESS

A. **Submission Dates**

Applications for Economic Development projects will be accepted from April 1, 2026, through March 1, 2027. Should the fundable application requests exceed the amount allotted, the Commissioner has the right to request funding from another program area prior to the March 31, 2027, deadline, as stated on page 18.

B. **Acceptance of Applications**

1. A complete original standard Economic Development Application 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.

h. Projects containing water and sewer activities must meet all Kentucky Division of Water (DOW) planning requirements. Proposed projects must be included in facility planning documents required by DOW such as: Kentucky Water Management Plans (KWMP), Wastewater Facilities Plans (WWFP) or Asset Inventory. A letter from the Municipal Planning Section of DOW approving the relevant plan is required, if applicable. Said approval letter must be dated within one (1) year of application submission. For information on these plans, contact:

Jason Lambert
Municipal Planning Section
jason.lambert2@ky.gov

For water projects applicant must provide a letter from the distribution system and/or water treatment plant stating they have sufficient capacity to address the demand.

i. For wastewater projects applicant must provide a letter from the collection system and/or wastewater treatment plant stating they have sufficient capacity to receive and treat the sewage.

j. Projects containing water and sewer activities are encouraged to submit a letter from the Division of Water (DOW) approving plans and specifications (plans and specification approvals are good for a period of two (2) years). For information on these plans, contact:

Terry Humphries, Supervisor
Engineering Section
terry.humphries@ky.gov

k. Copy of approval letter from Housing Building and Construction (HBC), if applicable.

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

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

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

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

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

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

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

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

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

F. **Economic Development Projects Review Criteria**

Both Traditional and Non-Traditional Economic Development applications will be reviewed under criteria developed for that particular application type. In order for a project to be funded, a determination must be made that CDBG funds are needed to accomplish the project and the amount of funds requested is reasonable relative

to job creation where applicable and other funding associated with the project. To make this determination, the following criteria will be reviewed:

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

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

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

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

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

   The impact of CDBG dollars must be maximized and the use of CDBG funds reasonable when compared with other funding sources. The applicant must demonstrate that all other feasible public/private funding sources have been analyzed and/or applied to the project. In order to assure that funds are secured, funding commitments from public/private funding sources shall be included with the project application. The commitments may be contingent on CDBG funding. Applications will be analyzed with respect to the use

and/or potential use of recaptured funds by the applicant and/or its agent from any prior Economic Development project(s). All applicants will be required to complete a Repayment Report as part of the application. DLG reserves the right to reduce an applicant's request as appropriate based on the cash balance on hand and/or the projected revenue to be earned from a previous grant(s). If an applicant feels that such an action is inappropriate, it must justify its rationale. Recaptured funds originating from CDBG Economic Development projects, not falling under the category of program income, will also be evaluated to confirm the efficient and effective use of the funds.

3. **Applicability of Recaptured Funds**

Recaptured funds and any related earnings from CDBG Economic Development projects may be retained by the recipient or their designee. The recipient must propose the method of collection and identify the potential activities to be funded. They must describe how the funds will be collected, accounted for and disbursed. If they plan to designate any entity such as a Local Development Authority to be responsible, that must be explained. Use of program income and other CDBG generated proceeds must be approved by DLG. See Program Income, Section III. P. above for more guidance.

G. **<u>Additional Non-Traditional Review Criteria</u>**

1. **Project Need**

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

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

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

3. **Project Effectiveness**

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

4. **Low and Moderate Income Qualification**

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

H. Economic Development Project Review Process

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

1. **Application Preliminary Review**

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

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

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

2. **Project Priority**

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

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

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

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

3. **Project Review Committee**

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

I. **Negotiation**

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

J. **Economic Development Supplemental Funding**

Due to unforeseen rising construction costs, previously funded CDBG projects are eligible to request supplemental CDBG funding as a means of last resort to ensure projects are completed in a timely manner. Supplemental CDBG funding may only be utilized to cover cost overages associated with the base bid for construction

project and within the $20,000 per FTE job. Requests for supplemental CDBG funding must include the following:

- Written explanation detailing the need, bidding efforts to date, and timeline of efforts to secure bids on the CDBG grantee's letterhead.
- Copy of the certified bid tabs from all previous bidding attempts.
- Copy of the minutes from each bid opening attempt.
- Copy of the final detailed cost estimate from certified engineer on letterhead prior to the first bidding process.
- Written commitment on the contractor's letterhead from the lowest bidder certifying the will hold their bids for 90 days from date of bid opening.

Projects will be evaluated for supplemental funding by the review committee based on eligibility, criteria, and staff comments. In some situations, a project may be eligible for partial supplemental funding requested. In such instances, DLG will negotiate with the applicant to ascertain whether the project can be reduced in size or restructured. **As long as CDBG funds are available, requests for supplemental CDBG funding for Economic Development may be submitted.**

K. **Life of Economic Development 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.

SECTION VI

HOUSING PROJECTS

PROJECT SELECTION PROCESS

A. **Submission Dates**

Applications for Housing projects will be accepted from April 1, 2026, through February 1, 2027.

B. **Acceptance of Applications**

1. A complete original of the standard Housing 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.
   b. The Homeowners List.
   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 commitment from lending a institution.
   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.

n. Projects containing water and sewer activities must meet all Kentucky Division of Water (DOW) planning requirements. Proposed projects must be included in facility planning documents required by DOW such as: Kentucky Water Management Plans (KWMP), Wastewater Facilities Plans (WWFP) or Asset Inventory. A letter from the Municipal Planning Section of DOW approving the relevant plan is required, if applicable. Said approval letter must be dated within one (1) year of application submission. For information on these plans, contact:

Jason Lambert
Municipal Planning Section
jason.lambert2@ky.gov

For water projects applicant must provide a letter from the distribution system and/or water treatment plant stating they have sufficient capacity to address the demand.

o. For wastewater projects applicant must provide a letter from the collection system and/or wastewater treatment plant stating they have sufficient capacity to receive and treat the sewage.

p. Projects containing water and sewer activities are encouraged to submit a letter from the Division of Water (DOW) approving plans and specifications (plans and specification approvals are good for a period of two (2) years). For information on these plans, contact:

Terry Humphries, Supervisor
Engineering Section
terry.humphries@ky.gov

q. Copy of approval letter from Housing Building and Construction (HBC), if applicable.

C. Housing Projects Review Criteria

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

1. Project Need

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

2. Necessary and Reasonable Expenditure of CDBG Funds

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

Any Program Income earnings from CDBG Housing projects retained by the

recipient or designated subrecipient must be used for eligible CDBG activities. The recipient must propose the method of collection, identify the potential activities to be funded and designate the recipient(s) responsible for collection, accounting and disbursement.

3. **Project Effectiveness**

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

D. **Project Priority**

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

Priority I: Applications in this category have met all program requirements, exhibit serious housing (including water or sewer) needs, substantiate significant project accomplishments and maximize the impact of CDBG funds. This includes the level of CDBG funds applied to housing units versus CDBG funds applied to public facilities activities within the overall housing project. Applications in this category have a minimum of 25% match of CDBG funds requested*.

Priority II: Applications in this category may or may not have met all program requirements, however, are fundable projects. The project needs, accomplishments and impact of CDBG funds and/or benefits are less acceptable than a Priority I. This includes the level of CDBG funds applied to housing units versus CDBG funds applied to public facilities activities within the overall housing project. Applications in this category have a minimum of 10% match of CDBG funds requested*.

Priority III: Applications in this category may or may not have met all program requirements and/or have serious deficiencies, however are fundable projects. The project needs, accomplishments and impact of CDBG funds and/or benefits are less acceptable than a Priority I and/or

Priority II. This includes the level of CDBG funds applied to housing units versus CDBG funds applied to public facilities activities within the overall housing project. Applications in this category may have less than a 10% match of CDBG funds requested*.

Priority IV: Applications in this category have serious deficiencies and are ineligible or not fundable.

*Only firmly committed matching funds in the form of supplemental financing (i.e.: loan financing, cash, other grant funds, etc…) will be accepted to meet the 25% or 10% match requirements. **In-kind donations and contributed property will not be accepted as match.**

E. **Project Review Committee**

The findings will be submitted to the review committee designated by the Commissioner. 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.

F. **Single-Family Homeownership Rehabilitation Affordability Terms**

Assistance Amount	Lien/Affordability	CDBG Forgiven Annually
Less than $15,000	Five Years	Forgiven when mature
$15,000-$100,000	Ten Years	First five years 100% remains, 20% annually after first five years
$100,001-$120,000+	Fifteen Years	First five years 100% remains, 10% annually after first five years

SECTION VII

PUBLIC FACILITIES

PROJECT SELECTION PROCESS

A. **Submission Dates**

Applications for Public Facility projects will be accepted from April 1, 2026, through September 1, 2026.

B. **Acceptance of Applications**

1. A complete original of the standard Public Facilities Project Application 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 WRIS Project Profile must be electronically submitted to the Kentucky Infrastructure Authority. WRIS Project Profile information must match the information in the application and the eClearinghouse.
5. The following requirements **must** be met, documented and **submitted** with the application:
    a. Current Detailed Cost Estimate from a Licensed Professional Engineer.
    b. The citizen participation requirements must be met and documented as referenced in Section III.
    c. An Authorizing Resolution (authorizing submission of the project) must be included. The Resolution must be numbered, 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.

h. Projects containing water and sewer activities must meet all Kentucky Division of Water (DOW) planning requirements. Proposed projects must be included in facility planning documents required by DOW such as: Kentucky Water Management Plans (KWMP), Wastewater Facilities Plans (WWFP) or Asset Inventory. A letter from the Municipal Planning Section of DOW approving the relevant plan is required, if applicable. Said approval letter must be dated within one (1) year of application submission. For information on these plans, contact:

Jason Lambert
Municipal Planning Section
jason.lambert2@ky.gov

For water projects applicant must provide a letter from the distribution system and/or water treatment plant stating they have sufficient capacity to address the demand.

i. For wastewater projects applicant must provide a letter from the collection system and/or wastewater treatment plant stating they have sufficient capacity to receive and treat the sewage.

j. Projects containing water and sewer activities are encouraged to submit a letter from the Division of Water (DOW) approving plans and specifications (plans and specification approvals are good for a period of two (2) years). For information on these plans, contact:

Terry Humphries, Supervisor
Engineering Section
terry.humphries@ky.gov

k. Copy of approval letter from Housing Building and Construction (HBC), if applicable.

l. 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.

m. Estimated Project Schedule.

C. **Public Facilities Review Criteria**

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

1. **Project Need**

   The applicant must show that the project addresses a significant infrastructure need of the community.

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

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

3. **Project Effectiveness**

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

D. **Project Priority**

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

Priority I: Applications in this category have met all program requirements, have project needs and/or benefits which are significant, have a minimum of one-to-one match of other funds and all other funds are firmly committed, engineering design is complete 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, 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 may or may not have met all program requirements, have project needs and/or benefits which are less acceptable and has a minimum match of 20%. This includes water and sewer projects with costs greater than $17,000 per customer. Communities with combined current water and sewer rate less than $64 per month, a current water rate less than $32 per month or a sewer rate less than $32 for 4,000 gallons of water use. Applications for I&I reduction that have not completed the SSES studies to determine project activities will be considered a Priority III project.

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

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

Self-Help projects are projects where CDBG dollars are used to buy materials only, the entity will perform the desired work with their own staff. The project must be completed in two years and the maximum amount funded is $300,000.

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, if applicable. The other funding commitments may be contingent on CDBG funding.

3. **Project Effectiveness**

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

F. **Self-Help Project Priority**

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

Priority I: Applications in this category have met all program requirements, have project needs and/or benefits which are significant, all other funds are firmly committed if applicable, engineering design is complete 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, other funds may not have been committed if applicable and/or engineering design may not have been completed. Regionalization issues are addressed where feasible.

Priority III: Applications in this category may or may not have met all program requirements, have project needs and/or benefits which are less acceptable. This includes water and sewer projects with costs greater than $17,000 per customer. Communities with combined current water and sewer rate less than $64 per month, a current water rate less than $32 per month or a sewer rate less than $32 for 4,000 gallons of water use,

Applications for I&I reduction that have not completed the SSES studies to determine project activities will be considered a Priority III project.

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

G. **Public Facilities Design-Only Criteria**

Design-Only projects are projects where CDBG dollars are used to provide design only, the entity will perform the desired work with a CDBG procured engineering firm. The project must be completed within 18 months of award and the maximum amount per grant is $200,000. The total amount for Design-Only projects (which is derived from the Public Facility allocation) will not exceed one million dollars. For a Design-Only 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:

Submission Dates

Applications for Community Projects will be accepted from April 1, 2026, through February 1, 2027.

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. LMI must be established.

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, if applicable. 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 ability to complete the project within 18 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.

H. **Design-Only Project Priority**

Projects will be placed in one of two priorities:

Fundable: Applications in this category have met all program requirements, have project needs and/or benefits which are significant, all other funds are firmly committed if applicable, Regionalization issues are addressed where feasible.

Not Fundable: 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.

DLG has developed specific Design-Only Guidelines for communities that may be interested in this program. These guidelines may be viewed at www.dlg.ky.gov.

I. **Project Review Committee**

The staff findings will be submitted to the review committee designated by the Commissioner. 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.

J. **CDBG Public Facilities Supplemental Funding: As long as CDBG funds are available, requests for supplemental CDBG funding for Public Facilities will be accepted.**

Due to unforeseen rising construction costs, previously funded CDBG projects are eligible to request supplemental CDBG funding as a means of **last resort** to ensure projects are completed in a timely manner. Supplemental CDBG funding may only be utilized to cover cost overages associated with the **base bid**. Requests for supplemental CDBG funding must include the following:

- Written explanation detailing the need, bidding efforts to date, and timeline of efforts to secure bids on the CDBG grantee's letterhead.
- Copy of the certified bid tabs from all previous bidding attempts.
- Copy of the minutes from each bid opening attempt.
- Copy of the final detailed cost estimate from certified engineer on letterhead prior to the first bidding process.
- Written commitment on the contractor's letterhead from the lowest bidder certifying the will hold their bids for 90 days from date of bid opening.

Projects will be evaluated for supplemental funding by the review committee based on eligibility, criteria, and staff comments. In some situations, a project may be eligible for partial supplemental funding requested. In such instances, DLG will negotiate with the applicant to ascertain whether the project can be reduced in size or restructured.

SECTION VIII

PUBLIC SERVICES

CDBG Public Services funds, in the form of operational costs to support the Recovery Kentucky Program, will be made available in 2026 to existing 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, 2026, through February 1, 2027.

B. **Acceptance of Applications**

1. A complete original of the 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.

C. **Public Services Review Criteria**

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

1. **Project Need**

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

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

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

3. **Project Effectiveness**

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

D. **Project Priority**

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

Priority I: Applications in this category are seeking 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.

Priority II: Applications in this category are seeking 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.

Priority III: Applications in this category are seeking 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.

E. **Project Review Committee**

The staff findings will be submitted to the review committee designated by the Commissioner. 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 IX

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). Recipients must acknowledge that they will be required to submit performance measure information to DLG in order to meet this reporting requirement. Submittal of information will be solicited by DLG via the Program Completion Report at closeout. Some recipients, due to the nature of their projects, may have to submit information on an annual basis via a Jobs Created and Retained Report or an Assisted Housing Unit Address Report.

There are three main components of the Performance Measurement System: Objectives, Outcomes and Indicators. Each component relates to a project activity. An objective related to the type of activity, funding source and goal/program intent will be assigned by DLG.

Objectives include:

- Suitable Living Environment
- Decent Housing
- Economic Opportunity

Next, an outcome will be selected 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 (Community Projects/Renaissance, Economic Development, Housing, Public Facilities, and Public Services).

PERFORMANCE MEASURES DEFINITIONS

The following definitions will be used when choosing Performance Measure Objectives and reporting 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.