



TEAM  
KENTUCKY.

# Rental Rehabilitation & Reconstruction Program



## AGENDA

1. Introduction to CDBG-DR
2. Subrecipient Responsibilities
3. Eligibility
4. Application Process
5. Affordability Requirements
6. Award/Contract
7. Inspections/Construction
8. Tenant Lease-Up
9. Closeout
10. Resources



# Rental Rehabilitation and Reconstruction Program



This program will assist landlords with repairs to their storm-damaged units, provide units of affordable housing, and provide safe and decent rental housing opportunities for residents.



# Rental Rehabilitation and Reconstruction Program Facts

- **Total Budget:** \$15,000,000
- Program processes and requirements:



City, county, and tribal governments will apply to DLG as subrecipients and assume the role of the responsible entity to operate an owner-occupied housing rehabilitation and reconstruction program.



Subrecipients must work with a certified grant administrator.



Landlords will apply to the entity jurisdiction or their implementation partner for participation in the program.

Upon completion of construction landlords will work with subrecipients to lease 51% of the units to income-qualified households at affordable rents.



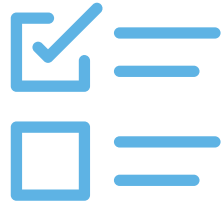
All projects will be monitored by DLG for compliance during construction, through the period of affordability, and to project closeout.



# Subrecipient Responsibilities



# Subrecipient Responsibilities



**Responsibilities of the subrecipient include but are not limited to the following:**

Landlord intake

Eligibility Review for both landlords and tenants

Duplication of Benefits Verification

Landlord award calculation

Appeals

Inspections

Environmental Review

Lead-Based Paint Requirements

Green Building Requirements

Landlord contracting assistance

Monitoring construction

Contractor payments

Construction grievances

Compliance with all applicable cross-cutting federal requirements

Construction closeout

More detail on subrecipient responsibilities is provided throughout the policy manual.

# Vulnerable Populations

The State is committed to reducing barriers for vulnerable populations, landlords still struggling to recover, and landlords and tenants who have been unable to recover safely.

**As part of the program design to ensure meaningful access to all, sub-recipients are required to:**



Provide language assistance services that result in timely, accurate, and effective communication at no cost to Limited English Proficiency clients and/or their beneficiaries.



Reasonably accommodate persons with disabilities.



Designate a fair housing and equal opportunity coordinator to be the prime liaison with DLG.



# Eligibility



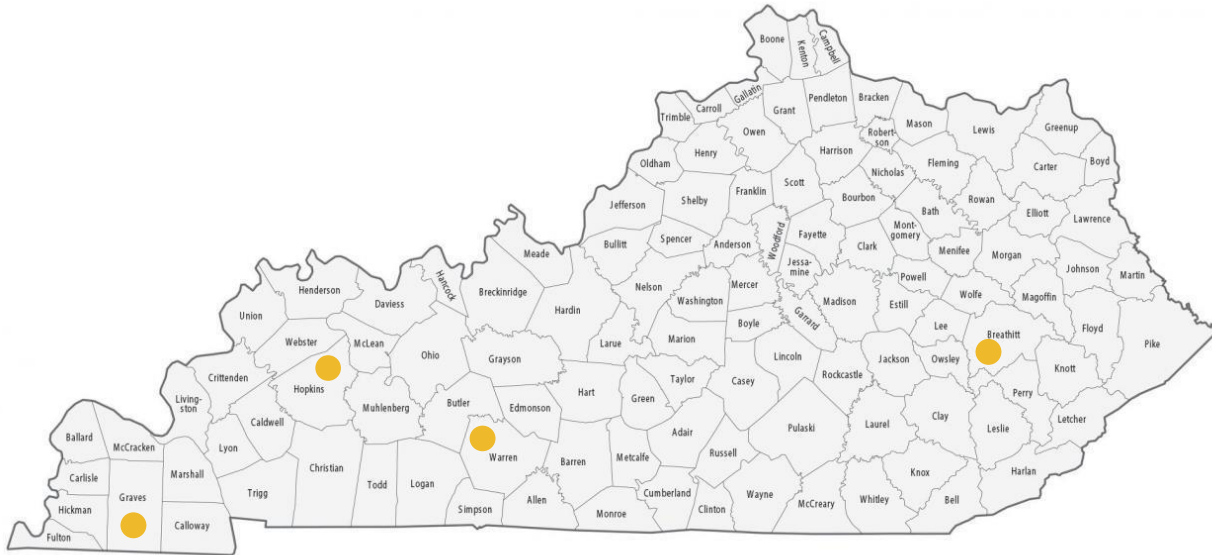




**Low-Mod Housing (LMH):** All program assistance and activity delivery costs provided to or on behalf of low- and moderate-income households. 51% of the units assisted with CDBG-DR funds must be made available to renters with

incomes at or below the Area Median Income.

# Eligible Counties



● HUD-identified MID Area

Image Source: <https://gisgeography.com/kentucky-county-map/>

- HUD has identified the following MID areas for the 2021 KY disasters:
  - Graves County
  - Hopkins County
  - Breathitt County (41339)
  - Warren County (42101)
- Kentucky has decided to expand the HUD-identified MID areas in ZIP codes 41339 and 42101 to include the entire counties of Breathitt and Warren.

# Eligible Counties

In addition to HUD's identified MIDs, Kentucky has identified the following counties as eligible for CDBG-DR funding:

- Boyd County, Caldwell County, Christian County, Clark County, Clay County, Estill County, Floyd County, Fulton County, Greenup County, Hart County, Hickman County, Jackson County, Johnson County, Knott County, Laurel County, Lawrence County, Lee County, Leslie County, Letcher County, Lincoln County, Logan County, Lyon County, Madison County, Magoffin County, Marion County, Marshall County, Martin County, Morgan County, Muhlenburg County, Ohio County, Owsley County, Perry County, Powell County, Pulaski County, Rockcastle County, and Taylor County

# Eligible Activities

- May include a variety of eligible rehabilitation and reconstruction activities. Subrecipients are to provide funds necessary to repair, reconstruct, or replace the damaged housing units as per program guidelines.
- Only costs incurred after an award will be eligible for reimbursement. Reimbursement of pre-award costs is not allowed.
- Funds may be provided to address site-specific accessibility needs, infrastructure repairs, site remediation, elevation, and resilience and mitigation measures.
- Properties located in an SFHA must be elevated with the lowest floor, including the basement, at least 2 feet above the 1% annual chance floodplain elevation (base flood elevation). Structures that are elevated will meet federal accessibility standards.

# Ineligible Activities

## The following activities are ineligible:

- ⊗ Foreclosed or seized properties
- ⊗ Seasonal, short-term and vacation rental properties
- ⊗ Housing units located where federal assistance is not permitted by federal regulation, including floodways, or within runway clear zones of either a civil or military airport
- ⊗ Houseboats used as a residence
- ⊗ Garage, carports, sheds and outbuildings not attached to the main dwelling unit. Improvements must be physically attached to the house and be permanent in nature
- ⊗ Landlords who are not able to agree to the affordability restrictions required for the use of these funds will be ineligible for participation in this program



# Application Process



**For applications to be eligible  
the project must:**

- ✔ Respond to a need
- ✔ Impact vulnerable communities
- ✔ Meet a National Objective
- ✔ Qualify as a CDBG-DR eligible activity
- ✔ Be located in a declared disaster-affect area

# Application Process

Subrecipients must download the CDBG-DR Housing Application located on the website [Kentucky DLG - DRP Grants](#) and submit it with all attachments to:

- [Dlg.ofg@ky.gov](mailto:Dlg.ofg@ky.gov) or
- [Dlg.dr@ky.gov](mailto:Dlg.dr@ky.gov)

For specific application requirements please refer to Section 5.3.1 of the policy manual.

Once applications have been scored and an award is determined, subrecipients will be notified directly from DLG by a preliminary approval letter.

Community Development Block Grant – Disaster Recovery (CDBG-DR)  
Rental Rehabilitation and Reconstruction Project Application Form  
Applicant Information

For DLG Use Only	SAI Number?	If a Project involves Water or Sewer Activities?	
22-		WRIS Number	

PROJECT TITLE \_\_\_\_\_ GRANT AMOUNT REQUESTED \_\_\_\_\_

**\*APPLICANT:** Choose an item. Excluded Parties Listing System: Choose an item.

Legal Applicant	Authorized Representative	E-mail Address	
Street or P. O. Box	City	County	State KY ZIP Code + 4
Telephone Number	Fax Number	SAM Unique Entity ID	Tax ID Number

**(If Applicable) APPLICANT'S PARTNER:** Choose an item. Excluded Parties Listing System: Choose an item.

Legal Applicant	Authorized Representative	E-mail Address	
Street or P. O. Box	City	County	State KY ZIP Code + 4
Telephone Number	Fax Number	SAM Unique Entity ID	Tax ID Number

**GRANT ADMINISTRATOR:** Choose an item.

Name	Telephone Number	FAX Number	
Organization	E-mail Address		
Street or P. O. Box	City	County	State KY ZIP Code + 4

State House District \_\_\_\_\_ State Senate District \_\_\_\_\_ Congressional District \_\_\_\_\_ Area Development District \_\_\_\_\_

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1



# Landlord Application Intake

- Subrecipients will act as an agent on behalf of the landlords to provide services related to this program.
- Once eligibility has been established, landlord application intake can begin
- Information that needs to be included on all landlord intake forms can be found in Section 6.7.2 of the policy manual.

# Duplication of Benefits (DOB)

- Subrecipients are responsible for collecting all documentation pertaining to duplication of benefits (DOB) that will be verified by DLG.
- Landlords must report all assistance they have been awarded or available to repair/reconstruct their homes from third-party sources such as:
  - Flood and homeowner's insurance
  - Increased Cost of Compliance (ICC)
  - Federal Emergency Management Assistance (FEMA)
  - Loans from the Small Business Administration (SBA)
  - Any other assistance from other government or private non-profit sources
- The Duplication of Benefits process is described in detail in Chapter 10 of the CDBG-DR subrecipient manual.



# Affordability Requirements

# Affordable Units

- All properties improved with CDBG DR funds must maintain a 51% ratio of affordable/market rate units. The required number of affordable units are as follows:

Number of Total Units in Property	Number of Units that must be affordable to LMI Households
1	1
2	1
3	2
4	3
5	3
6	4
7	4

- If a landlord determines they would no longer like to rent the units at an affordable rate during the period of affordability they will be in default of the program rules and require repayment of the CDBG-DR funds.

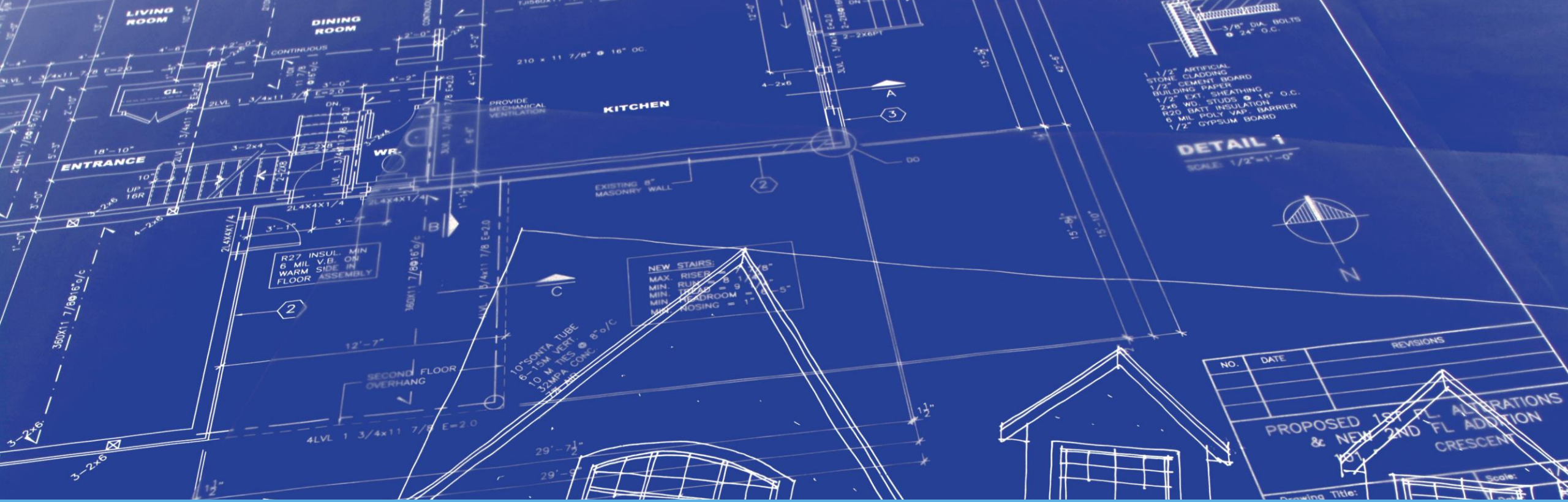
# Period of Affordability

- The Rental Rehabilitation Program must maintain affordability periods in accordance with the HOME program standards located at 24 CFR 92.252(e)(4). The following affordability time frames apply to the units which will be occupied by LMI households. During this time, the landlord will be responsible for selecting and qualifying tenants.

Rental Housing Activity of Existing Housing Per Unit Amount of CDBG-DR Funds	Minimum Period of Affordability in Years
Less than \$15,000	5
\$15,000-\$40,000	10
More than \$40,000 or rehabilitation involving refinancing	15
Rental Housing Activity of Existing Housing Per Unit Amount of CDBG-DR Funds	Minimum Period of Affordability in Years
New construction or acquisition of newly constructed housing	20

# Affordable Rents

- DLG has adopted the HOME definition for affordable rents. These rental amounts will be provided by DLG on an annual basis. The initial rents will be the maximum rents that conform to HOME rents which are 65% HOME rent limits for the entire affordability period.
- HOME rents are described as a rent which does not exceed 30 percent of the adjusted income of a family whose annual income equals 65% of the median income for the area, as determined by HUD, with adjustments for number of bedrooms in the unit. The HOME rent limits provided by HUD will include average occupancy per unit and adjusted income assumptions.
- Subrecipients will be required to get a rental report from each landlord during the affordability period. The report will provide tenant information, name and household composition, including income, race and ethnicity. The report will also provide the total amount of rent charged for the unit.



# Award & Contract

# Maximum Awards

- Subrecipients are eligible to receive an award up to \$100,000 per unit based on estimated costs.
- DLG will consider exceptions to the maximum award amounts when necessary and in compliance with federal regulations.
- Landlords will be allowed to reach a capped number of 7 units to be improved with CDBG-DR funds. Exceptions to this rule will be addressed by DLG on a case-by-case basis.





# Inspections and Construction



## Subrecipients will act as an agent on behalf of the landlords to provide services related to this program:

Tier	Description
1	An EA will be completed for the Program for the HUD and State MID counties.
2	<p>Environmental Reviews will be conducted for each property that is being evaluated under the program.</p> <p>Will identify sites with specific environmental issues requiring a site visit or additional agency consultation and will be documented in an Environmental Review Record (ERR).</p> <p>These reviews must be conducted by the subrecipient in a manner that satisfies the requirements of NEPA and HUD's NEPA implementing regulations (24 CFR 58)</p>

# Environmental Review

- From the time of application through the completed environmental review, no work should be performed on eligible homes participating in the program.
- More detail on Environmental Review requirements is provided in Chapter 2 of the Subrecipient Manual.

## All subrecipients must meet the Green and Resilient Building Standards:

- For non-substantial rehabilitation:
  - Subrecipients must follow the guidelines specified in the HUD CPD Green Building Retrofit Checklist (11-2).
- For rehabilitation of substantially damaged properties and reconstruction:
  - The Green and Resilient Building Standard requires that construction assisted with CDBG-DR funds meet an industry-recognized standard which has achieved certification.
  - Reference chapter 11 in the Subrecipient Manual for more information on the standards and the required form (11-1) to submit to DLG about the selection of your chosen standard.

# Lead-Based Paint

- All units in a project assisted with CDBG-DR funds must comply with 24 CFR Part 35 (Lead Safe Housing Rule)
- More information and required forms are provided in Chapter 2 of the Subrecipient Manual.

## The levels of assistance and applicable requirements are:

Level of Assistance	Applicable Requirements
<\$5,000	Paint testing of surfaces to be disturbed must be completed. Paint testing must be conducted by a certified paint inspector or risk assessor.
\$5,000-\$25,000	A risk assessment must be performed of the entire unit. A risk assessment must be conducted by a certified risk assessor.
>\$25,000	A risk assessment must be performed of the entire unit. A risk assessment must be conducted by a certified risk assessor.

# Landlord Award Determination

- The subrecipient is required to develop a scope of work including an estimate for the repair, replacement, and/or mitigation of each unit to meet Program requirements.
- Ineligible costs include:
  - Income payments
  - Luxury or non-standard items
  - Labor time for sweat equity
- Upgrades
  - The Program will not allocate funding for payment of any upgrades.
  - If landlords elect to modify or deviate from the designs or scope of work they must use their own personal funds to do so.

# Landlord Agreements

- All landlords are required to sign an award agreement to comply with Program requirements.
- The award agreement should require the owner to certify the following:
  - Award Calculation
  - Unit number/name of affordable units and rent charged
  - Insurance Requirements
  - Agree to subrogation requirements detailed in the DOB Chapter 10 of the Subrecipient Manual
  - Deed restriction to maintain FEMA flood insurance for life of the property, where applicable.
  - Declaration of covenants and restrictions
- A sample of a Landlord Award Agreement can be found on the disaster website:  
[Kentucky DLG - DRP Grants](#)

**SAMPLE REHABILITATION GRANTING AGREEMENT**

DATE: \_\_\_\_\_ REFERENCE #: \_\_\_\_\_  
\_\_\_\_\_  
OWNER(S): \_\_\_\_\_ ADDRESS: \_\_\_\_\_  
\_\_\_\_\_

THIS AGREEMENT, made this \_\_\_\_ day of \_\_\_\_\_, by and between the City/County of \_\_\_\_\_, (hereinafter referred to as the Grantee), and \_\_\_\_\_ (hereinafter referred to as Owner(s)).

WHEREAS, the Grantee is eligible to make rehabilitation grants/loans as provided for under the Housing and Community Development Act of 1977, amending the same Act of 1974; and,

WHEREAS, said grant referred to in the Granting Agreement between the Commonwealth of Kentucky and the Grantee, as a FORGIVABLE LOAN; and

WHEREAS, the Owner(s) have met all of the qualifications prescribed under the rules and regulations of the above mentioned Acts and the regulations heretofore adopted by the Grantee for the making of such grants; and

WHEREAS, Owner(s) have heretofore made application for such grant to the Grantee in the amount of \_\_\_\_\_ DOLLARS (\$\_\_\_\_\_), and the application has been approved by the duly authorized officers for the Grantee on \_\_\_\_\_.

NOW, THEREFORE, in consideration of the above premises and other good and valuable consideration, the parties hereto agree as follows:

1. **DESCRIBED PROPERTY TO BE REHABILITATED**

The Grantee shall give and make a rehabilitation loan to the above referenced Owner(s) in the amount of \_\_\_\_\_ DOLLARS (\$\_\_\_\_\_) to be used for the improvements of the premises located on the real property described as follows:

*SEE LEGAL DESCRIPTION ATTACHMENT "A"*



# Covenants and Restrictions

- Should the property be sold, vacated or its use changed prior to the expiration of the note, the owner owes the subrecipient whatever balance remains on the note.
- A Restrictive Use Covenant, Mortgage Agreement, and Promissory Note Template can be found on the Disaster website: [Kentucky DLG - DRP Grants](#).

**PROMISSORY NOTE**  
(Secured by Mortgage on Real Estate)  
(SAMPLE ONLY: Please have Grantee Attorney prepare in accordance with local policy.)

DATE: \_\_\_\_\_ REFERENCE #: \_\_\_\_\_

MORTGAGOR: \_\_\_\_\_ SECURED ADDRESS: \_\_\_\_\_

FUNDING SOURCE: \_\_\_\_\_ AMOUNT SECURED: \$ \_\_\_\_\_

FOR VALUE RECEIVED, the undersigned, jointly and severally promises to pay the GRANTEE, \_\_\_\_\_, at such place as the holder of this note shall designate in writing, the principal sum of \_\_\_\_\_ DOLLARS (\$ \_\_\_\_\_) immediately and without notice, upon the occurrence of any of the following:

- (1) The sale, lease, transfer or abandonment by any one or all of the undersigned of all or part of his/her/their interest (legal or beneficial) in the real property described below, except as outlined in number 3 below.
- (2) The abandonment by all of the undersigned of the aforesaid real property, as determined by the holder of this note in its sole but reasonable discretion.
- (3) The death of all of the undersigned and resulting sale, lease, transfer, assignment or abandonment. (This provision shall not apply within the City/County of \_\_\_\_\_. The death of the undersigned will activate prompt forgiveness of the Note, by order of the City/County of \_\_\_\_\_, Kentucky.)
- (4) The failure by any one or all of the undersigned to comply with the terms and conditions of the Rehabilitation Granting Agreement of even date herewith, and made a part hereto as Exhibit 1, providing for a loan of \_\_\_\_\_ DOLLARS (\$ \_\_\_\_\_) between the undersigned and the Grantee. This Promissory Note is expressly subject to and will be bound by the terms and conditions set forth in such Rehabilitation Granting Agreement as if all of such terms and conditions were expressly set forth herein.

This Promissory Note is secured by and is the same Promissory Note referenced in a Real Estate Mortgage of even date herewith executed in favor of the Grantee by the undersigned. This Promissory Note is expressly made subject to and will be bound by the terms and conditions set forth in said Mortgage as if all such terms and conditions were expressly set forth herein. This Promissory Note shall bear no interest.

It is agreed that time is of the essence of this agreement. In case of default of any payment required by the Promissory Note and Mortgage, the holder of the Note and Mortgage may, at its option, declare all of the debt due and payable and enforce its mortgage lien. Any failure to exercise said option will not constitute a waiver of right to exercise the same at a later date.

It is hereby agreed that should said indebtedness or any part thereof be collected by legal or equitable proceedings, or be paid after the initiation of such proceedings, then said mortgagors agree to pay all expenses of collection. These expenses shall include but not be limited to reasonable attorney fees and commissions incurred by the mortgagee or its assigns, and which mortgagee or its assigns may have paid or be liable to pay on account of such legal or equitable proceedings.

- Landlords are able to hire registered/licensed and insured builders of their choice to perform the reconstruction or rehabilitation.
- Landlords are precluded from acting as their own contractor.
- The subrecipient will complete a thorough inspection of the property.
- The landlord will use the Work Write-up and Cost Estimate to solicit three quotes from different construction contractors.

## **Upon selection of contractor, the**

### **subrecipient will verify:**

- ✓ Costs are reasonable and necessary
- ✓ Contractor is properly licensed
- ✓ Contractor is not on a debarred list or subcontract to entities on a debarred list
- ✓ Contractor has provided a project completion plan detailing work and timeframe

# Pre-Construction

- The subrecipient will facilitate an agreement between the landlord and the contractor.
- The subrecipient must hold a pre-construction conference.
- Contractors or subcontractors for all rehabilitation and reconstruction triggering Section 3 are required to comply with all regulation
- For more detail please refer to the policy manual and Chapter 6 of the Subrecipient Manual.

- Contractors must follow all applicable building codes listed in Chapter 6 of the Subrecipient Manual.
- Once a contract is executed, the subrecipient shall issue a Notice to Proceed.
  - A sample Notice to Proceed (6-19) is provided with Chapter 6 of the Subrecipient Manual.
- Subrecipients are responsible for monitoring the progress of construction projects.

**NOTICE TO PROCEED**

**TO:** \_\_\_\_\_

**FROM:** \_\_\_\_\_

**SUBJECT:** Notice to Proceed with Rehabilitation/Reconstruction

\_\_\_\_\_

as owner(s) of the property located at

\_\_\_\_\_

award the rehabilitation contract to

\_\_\_\_\_

on

\_\_\_\_\_

Contractor is hereby notified to commence work set forth in the contract on or before \_\_\_\_\_

All work is to be done in accordance with program specifications, conditions provided in the contract, and the work write-up that has my (our) initials on each page and signature on last page.

The project must be fully complete within \_\_\_\_\_ consecutive calendar days after \_\_\_\_\_.  
The date of completion of all work is, therefore \_\_\_\_\_.

If the contractor does not commence work within the specified time, I (We) may upon proper notification, consider the rehabilitation contract to be in default.

Owner Signature:	_____	Date:	_____
Owner Signature:	_____	Date:	_____
Contractor Signature:	_____	Date:	_____
Grantee Signature:	_____	Date:	_____

- Payments are to be requested by the subrecipient from DLG and made directly to the contractor.
- All change orders must:
  - Be requested by the subrecipient and approved by DLG.
  - A sample Change Order Request is provided in Chapter 6 of the Subrecipient Manual.
  - Not exceed 20% of the original contract price
- A ten percent retainage shall be withheld until after final inspection.

**CHANGE ORDER REQUEST # \_\_\_\_\_**  
**TO CONSTRUCTION CONTRACT**

**ACCOUNT #:** \_\_\_\_\_  
**ADDRESS:** \_\_\_\_\_  
**OWNER:** \_\_\_\_\_

The parties to the rehabilitation/construction contract dated \_\_\_\_\_ have agreed upon the following unforeseen work that was not visible on the initial inspection:

DESCRIPTION	AMOUNT
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
<b>TOTAL OF CHANGE ORDER</b>	<b>\$ _____</b>

The Contractor agrees to perform this work for \$ \_\_\_\_\_  
Which is to be added to the original contract of \$ \_\_\_\_\_  
The total amount of this contract is now \$ \_\_\_\_\_

The time of the Contract shall be increased \_\_\_\_\_ days  
decreased \_\_\_\_\_ days  
No Change \_\_\_\_\_

Contractor: \_\_\_\_\_ Date: \_\_\_\_\_  
Owner: \_\_\_\_\_ Date: \_\_\_\_\_  
Program Inspector: \_\_\_\_\_ Date: \_\_\_\_\_  
Grantee: \_\_\_\_\_ Date: \_\_\_\_\_



# Tenant lease-up



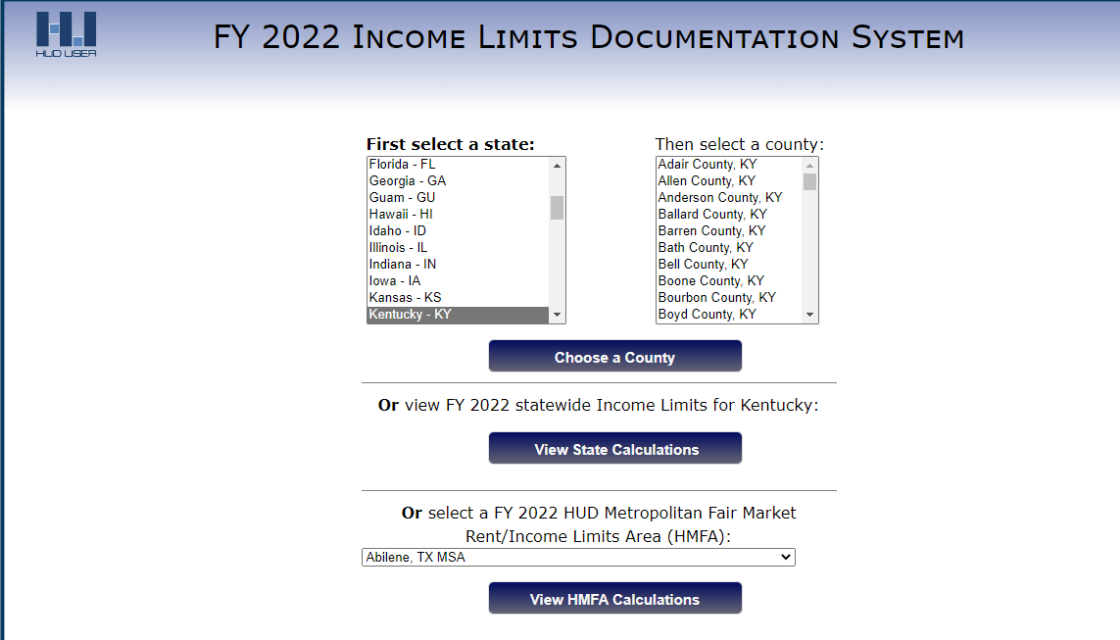
# Tenant income verification and leasing

Subrecipients will work with landlords to identify the units which will be made affordable to low-income tenants. Landlords must affirmatively market their units and follow all fair housing requirements.

DLG will provide subrecipients with a lease addendum which will detail the affordability requirements on the units and the timeframe for affordability. This must be signed upon lease up and tenant turnover.

HUD Income Limits are provided annually and can be found here:

[https://www.huduser.gov/portal/datasets/il/il2022/select\\_Geography.odn](https://www.huduser.gov/portal/datasets/il/il2022/select_Geography.odn)



**FY 2022 INCOME LIMITS DOCUMENTATION SYSTEM**

**First select a state:**

- Florida - FL
- Georgia - GA
- Guam - GU
- Hawaii - HI
- Idaho - ID
- Illinois - IL
- Indiana - IN
- Iowa - IA
- Kansas - KS
- Kentucky - KY

**Then select a county:**

- Adair County, KY
- Allen County, KY
- Anderson County, KY
- Ballard County, KY
- Barren County, KY
- Bath County, KY
- Bell County, KY
- Boone County, KY
- Bourbon County, KY
- Boyd County, KY

**Choose a County**

**Or view FY 2022 statewide Income Limits for Kentucky:**

**View State Calculations**

**Or select a FY 2022 HUD Metropolitan Fair Market Rent/Income Limits Area (HMFA):**

Abilene, TX MSA

**View HMFA Calculations**



# Closeout





# Program Closeout

- Upon completion of construction and prior to closeout, the landlord must lease up the affordable housing units to tenants who are income eligible to reside in the units.
- In order to be income-eligible, the tenant household must go through an income verification process with the subrecipient. This income verification must be done upon lease up and then again when any new tenants move into the unit, or the tenants income changes. This must be done during the period of affordability.
- Each landlord's project will not be deemed fully completed until all affordability requirements have been met and the restrictions on the unit have been removed.
- The program will be closed out when all affordability restrictions and on-going monitoring requirements have been met and the restrictive use covenants have been removed from the property unit's title.

# Closeout and Records Management

- Construction and program closeout documentation must be submitted before a project is deemed closed.
- If the applicant's property, reconstructed unit, or replacement units are located in a Special Flood Hazard Area, the property shall be insured under a policy of flood insurance and an endorsement must be kept in the subrecipients program file.
- Upon the closeout of the landlord's construction project, the subrecipient must continue to monitor DOB compliance, affordability requirements, and safe and sanitary requirements of the unit. These must occur until the affordability period is complete and the subrecipient has completed a Project Completion Report.
  - For more detail refer to Chapter 14 of the Subrecipient Manual
- Records must be kept to document compliance with program requirements, with federal, state, and local regulations, and to facilitate audit review by HUD and other designated auditors.
  - For more detail refer to Chapter 1 of the Subrecipient Manual



# Resources

1. [Link](#) to policy on DLG website
2. [Link](#) to subrecipient manual on website
3. [Link](#) to Action Plan on website:

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