



Single Family New Construction Policy Manual

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1 Program Overview

1.1 Purpose of the Policy Manual

This policy manual provides policy guidelines for subrecipients and developers to participate in the program. It includes information on important topics such as:

- Who is eligible to receive program assistance
- What type of structures can be constructed
- Types of eligible program costs and unit requirements
- Process, compliance, and documentation requirements to participate
- What an approved participant must do before and after they get assistance from the program
- Who is eligible to buy a unit and the underwriting requirements to determine the level of affordability assistance
- What additional resources are available to help subrecipients move forward with their application
- How to appeal a program decision.

Please note that throughout this policy manual the term subrecipients refer to the applicants to the program; City and County governments.

Navigating the Policy: Users of this policy can jump from one section to another by clicking on the headers within the table of contents or by clicking on the side headers on the left-hand side of the document, which appear when clicking on the right-facing arrow. This policy will reference the CDBG-DR Subrecipient Manual located on the DLG Disaster website [Kentucky DLG - DRP Grants](#). Subrecipients should review this manual in conjunction with the Subrecipient Manual to understand roles and responsibilities if funded.

1.2 Program Description

The Single-Family New Construction program will provide funding subsidies for the construction of single-family structures (one to four unit structures) to be sold to income eligible households to replace homeownership units. The program will provide funds to assist builders and developers to build new affordable homeownership units in the disaster-impacted areas. The new units will incorporate green and resilient building practices to mitigate future risks of hazards.

City, county, and tribal governments will apply to DLG with a detailed proposal for the development of single family new construction units that will be affordable homebuyer units for households impacted by the disaster. Applicants receiving funding will

function as a subrecipient and oversee the unit development and the sale of the units to income eligible households. Affordability assistance will be provided to eligible homebuyer beneficiaries to ensure the terms of the financing will be within the DLG affordability standards. DLG will provide awards to subrecipients for eligible projects. Subrecipients must work with a certified grant administrator to oversee the housing development including the environmental review, construction management, and the qualification of eligible homebuyers. For more on the certified grant administrator requirement please refer to Section 2.2 of this policy. Eligible subrecipient applicants may work with qualified for profit or non-profit developers to plan and undertake the projects.

Funding awards will be made to the subrecipients who will then execute an agreement with the developer to lock in the project scope, affordability requirements, and the overlay of CBDG-DR and other federal requirements.

Each Single Family New Construction award will be based on the DLG approved budget for both unit construction and infrastructure. The subrecipient and developer will be responsible for marketing the units to eligible buyers including screening for duplication of benefits and all homebuyer eligibility requirements. The subrecipient will complete the homebuyer applicant information packet including the affordability review and proposed affordability assistance for each buyer and submit for DLG review prior to finalizing a binding sales agreement.

Subrecipients recipient grant administration responsibilities include but not limited to the following:

- Homebuyer intake
- Eligibility Review
- Duplication of Benefits Verification
- Appeals
- Inspections
- Environmental Review
- Green Building Requirements
- Completion of the Initial Homebuyer Underwriting
- Monitoring construction
- Contractor payments
- Construction grievances
- Compliance with all applicable cross-cutting federal requirements
- Construction closeout

All projects will be monitored by DLG for compliance during construction and closeout.

2 Program Administration

2.1 Overview

City and county governments will apply to DLG and assume the role of the responsible entity to operate a single family new construction program. Eligible subrecipient applicants will need to partner with a for-profit or non-profit developer to provide the needed capacity to develop and sell single family affordable housing units. Applications for funding will need to present evidence of adequate capacity to oversee all aspects of the project.

Subrecipients must work with a certified grant administrator to assist with application development, grant administration, and activity delivery.

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

DLG is responsible for developing and amending the CDBG-DR Public Action Plan, program policies and procedures, ensuring program and other cross-cutting federal regulatory compliance, providing technical assistance to subrecipients, procurement oversight, and financial management.

2.2 CDBG-DR Eligible Counties

The counties that are eligible for CDBG-DR are those areas of greatest impact from a disaster as determined by HUD or the State in making disaster funding allocations, using the best available data sources to calculate the amount of disaster damage.

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.

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

2.3 Eligible Applicants

Local cities and counties eligible to apply for the Kentucky Single Family New Construction Program as subrecipients. Subrecipients are responsible for documenting all homebuyers meet the eligibility requirements below.

Open Application Applications will accepted until all funds have been obligated. DLG will receive the applications and make funding decisions based on competitiveness and completeness of the application, justification for funding, and feasibility of the project. City, county, and tribal governments will apply to DLG to develop programs that will fund eligible homeowners.

2.4 Certified Grant Administrator Requirements

The Commonwealth of Kentucky requires that individuals administering CDBG-DR funds be officially certified by DLG as CDBG-DR Administrators. Chapter 1: Project Administration, Section 1-B provides more information on the requirements of the Certified Grant Administrator.

To be certified as a CDBG-DR Administrator, first time attendees must participate in the DLG-sponsored CDBG-DR Administrator Certification training. The CDBG-DR training occurred in June, 2023. Once administrators have been certified, DLG will maintain an updated list of certified CDBG-DR Administrators. The list will be frequently updated by DLG.

2.5 Disbursement of Funds

Once funding is awarded and all required agreements and contracts are fully executed, program disbursements will be available to subrecipients. The grant agreement specifies which evidentiary materials are required for submission to DLG. DLG must receive and approve these materials before the grantee may expend any project funds for specified activities. Those evidentiary materials and release of funds procedure are detailed in Chapter 1 of the Subrecipient Manual, Section 1-D.

2.6 National Objectives

Assistance provided under this program will meet the national objectives of benefiting LMI persons or households or addressing an urgent need. The program may use the Urgent Need national objective to assist eligible disaster-impacted homeowners with incomes greater than 80% AMI only with permission from DLG. The national objective will be met based on applicant's household income verified at the time of award by the jurisdiction to the beneficiary.

Low-Mod Housing (LMH): All program assistance and activity delivery costs provided to or on behalf of low- and moderate-income households. A household is LMI if their household income is at or below 80% of the area median income (AMI).

Subrecipients must track all LMI beneficiaries per HUD requirements using the following income ranges and categories:

- 0% - 30% AMI Extremely Low
- 31%-50% AMI Very Low
- 51%-80% AMI Low

Household income will be determined based on the total number of persons in the household and total annual income of each household member 18 years and older. See Section 4.5 for additional information on the income verification process.

Urgent Need (UN) : HUD allows for the use of the urgent need (UN) national objective when existing conditions pose serious and immediate threat to health/welfare of community, the existing conditions are recent or recently became urgent, and the recipients cannot finance the activities on their own because other funding sources are not available. All assistance and activity delivery costs provided to or on behalf of households with incomes at or above 80% of the AMI will be classified under UN. Subrecipients can use the UN national objective for households with incomes greater than 80% of the AMI because all homeowners are required to meet applicant and property eligibility criteria, which include demonstrating their eligible owned primary residence was damaged or destroyed by the 2021 Severe Storms, Flooding, Landslides, and Mudslides (DR-4595), damaged or destroyed by the 2021 Severe Storms, Straight-line Winds, Flooding, and Tornadoes (DR-4630) and they have a remaining unmet need. Each approved application will describe the type, scale, and location of the disaster-related impact that will be addressed through the project.

2.7 Statement of Need

KCDBG-DR funds have been allocated in the Action Plan to add replacement units of homeownership single family housing in communities that have lost a portion of their housing inventory based on the impact of the disasters. DLG will be evaluating housing proposals based on their impact on meeting the housing needs identified within the HUD Housing market study which is posted on the DLG Disaster website.

Applicants will be required in their application to show how their proposed project addresses the needs identified in the HUD Housing market study and provide justification of the level need for the requested fund. Documentation of need would include lists of local residents and displaced residents seeking to purchase a unit in the community.

2.8 New Construction Single Family Unit Funding

2.8.1 Maximum Award

DLG is setting a maximum award of \$200,000 per unit in the form of a loan for construction of a single family homebuyer unit and any on-site infrastructure such as water and sewer lines from the unit to the connection in the public right of way. Additionally, KCDBG-DR funds are available for overall site development and infrastructure costs including streets, sidewalks, drainage, utilities, and site

development costs such as grading and clearance. Site development and infrastructure funds will be provided in the form of a grant. DLG will consider exceptions to the maximum award amounts when necessary and in compliance with federal regulations.

2.8.2 Terms of Funding

KCDBG-DR funds will be provided to the subrecipient in the form of a loan for unit construction and other on-site costs. At the closing for sale of the unit to an income eligible buyer, sales proceeds will be payable to DLG minus the developer fee and any funds that were provided to the buyer in the form of a secondary mortgage as an affordability subsidy. KCDBG-DR funds provided to the subrecipient for site development and infrastructure will be provided in the form of a grant based on the project meeting the housing national objective with the sale of the units to income eligible buyers. Failure to complete an eligible sale of each of the units would trigger the repayment of the portion of overall site development and infrastructure costs per unit for ineligible units.

3 Unit Standards for Construction of Single Family Units

3.1.1 Unit Size and Amenities

The following minimum square foot measurements are required for different types of units. For purposes of this requirement, net square feet are the heated and cooled area of the unit.

- a) One-bedroom and Efficiency units: shall contain at least 600 net square feet
- b) Two-bedroom units: shall contain at least 800 net square feet
- c) Three-bedroom units: shall contain at least 1,000 net square feet
- d) Four-bedroom units: shall contain at least 1,100 net square feet.

Exception: DLG may approve exceptions on a case-by-case basis after reviewing the proposed unit and the intended homebuyer's household needs.

3.1.2 New Construction Housing Accessibility Requirements:

KCDBG-DR funded housing is subject to the accessibility requirements of the Fair Housing Act, as amended. For housing purposes, an

accessible dwelling unit is on an accessible route and has accessible

features inside. Under Section 504: Under the Fair Housing Act: HUD

CPD Notice 00-09 Accessibility Notice: Section 504 of the Rehabilitation Act of 1973 and the Fair Housing Act 7-10 October 2021 All newly constructed units in buildings with four or more units that are on the ground level or can be reached by an elevator must be made accessible. The accessibility standard is outlined in the Fair Housing Act. This standard is often referred to as “adaptable,” and is generally a less stringent standard of accessibility than UFAS.

3.1.3 Green Building Requirements

All subrecipients must meet the Green and Resilient Building Standards. These standards are different for different types of rehabilitation and reconstruction. Below are definitions as well as descriptions of the requirements. Chapter 11 of the subrecipient manual should be referenced for links to the standards and the compliance checklists associated with them. Chapter 11 will also include the method of implementing and monitoring compliance with the requirements both before and after construction.

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.

The selected standard and any additional documentation regarding compliance must be included within the project file. The subrecipient shall engage a reviewer or inspector who:

- Will review the proposed project plans and specifications to ensure that the approach is aligned with the selected standard(s),
- Will perform inspections throughout the construction process to ensure that the project adheres to the selected standard(s), and
- Will provide final certification at the conclusion of construction to ensure that the standards were met.

The reviewer or inspector shall use the selected standard’s compliance checklist documentation when reviewing the file at each predetermined point.

3.2 Sale of Units to Income Eligible Homebuyers

3.2.1 SINGLE FAMILY NEW CONSTRUCTION UNDERWRITING STANDARDS

KCDBG-DR subrecipients must ensure that homebuyers receiving CDBG-DR affordability assistance receive an appropriate level of funding to ensure sustainability of homeownership while not being over-subsidized. As such, DLG has adopted the following minimum underwriting criteria to ensure the appropriate amount of KCDBG-DR assistance is directed toward each homebuyer. KCDBG-DR subrecipients may impose more restrictive underwriting criteria; however, more lenient standards are not allowed. Subrecipients will complete the KCDBG-DR Benefit Profile for Assisted Homebuyers - Attachment A to determine the size of a mortgage that will be affordable for each household. The subrecipient will submit the underwriting template for DLG review prior to finalizing a purchase agreement with each potential homebuyer.

3.2.2 Housing Debt (Front-End Ratio)

The Front-End Ratio is total principal, interest, taxes and insurance for the mortgage(s) as a percentage of the gross household income. DLG has established a tiered standard for KCDHG-DR homebuyers. Households with income at or below 50% must have a front-end ratio between 20-24.99%. Households with incomes about 50% must have a front-end ratio between 25-30% as calculated by the Underwriting template. The front-end ratios are held to these standards to ensure the financing will be affordable, meaning the minimum ratio of principal, interest, taxes, and insurance (PITI) to gross monthly income cannot be less than set range or exceed the standard range. The underwriting process ensures the household is only receiving enough CDBG-DR affordability assistance to complete the transaction and is not over-subsidized but has a mortgage(s) that are affordable and sustainable even if the household experiences limited unanticipated expenses.

3.2.3 Total Debt (Back-End Ratio)

The maximum back-end ratio is 41 percent, meaning that long-term debt (six months or longer) plus PITI cannot exceed 41 percent of gross monthly income. Requests to exceed this standard may be submitted to DLG for consideration on a case-by-case basis.

3.2.4 Assets

CDBG-DR Subrecipients must have a liquid asset policy and establish a method to evaluate liquid assets and the ability of assisted homebuyers to financially contribute to the acquisition of their home. All KCDBG-DR-assisted homebuyers must contribute a minimum of \$250 to the purchase of the home. Exceptions to this standard may be requested if the only source of household income is Supplemental Security Income (SSI) or Social Security Disability Insurance (SSDI). Homebuyers with non-home assets of more than \$50,000 are ineligible for assistance.

3.2.5 Other Loan Terms

DLG requires that KCDBG-DR subrecipients providing homebuyer affordability assistance in the form of a secondary loan must examine the terms of all other loans a homebuyer will receive, particularly any private mortgages, to ensure the terms are reasonable and sustainable. If a loan contains terms and conditions that are predatory or harmful to the homebuyer (such as excessive fees or interest rates, balloon payments, adjustable interest rates, etc.), the homebuyer will not be eligible for KCDBG-DR assistance from the DLG.

3.2.6 Subsidy Limits

KCDBG-DR program allows a maximum development subsidy of \$200,000 of which all except the developer fee can be provided in the form of a secondary mortgage based on the affordability underwriting template. The level of affordability subsidy needed will be determined on a household basis utilizing the underwriting template, Attachment A.

All buyers will receive a minimum of \$1000 in closing cost assistance: assistance in excess of the \$1000 minimum must be supported by the underwriting template's determination of need.

3.2.7 Homebuyer Counseling

Homebuyer counseling is required for all homebuyers assisted with KCDBG-DR funds. All eligible applicants will need to provide proof of completion of homebuyer counseling from a HUD certified agency and counselor prior to the commitment of KCDBG-DR funding.

3.3 Homebuyer Income Eligibility

Every applicant purchasing a KCDBG-DR funded single family unit must be documented as income eligible prior to executing a binding sales agreement. The applicant must be at 80% or less of area median income – these limits are updated by HUD on an annual basis. DLG will distribute updates to all subrecipients who do income certifications each year when HUD issues the updated income eligibility limits. As a part of the application to purchase the KCDBG-DR assisted single family units, the applicant must provide information on income and asset sources as they pertain to the Part 5 definition. Applicants are not required to remain income eligible over the term of the affordability period but they must be documented as income eligible at the point of commitment of the KCDBG-DR assistance or the use of the funds would be considered ineligible and trigger a repayment of the KCDBG-DR funds.

These policies and procedures outline the KCDBG-DR standards and policies on how income eligibility will be determined. Staff can use the online Income Calculator found on the HUD Exchange at <https://www.hudexchange.info/incomecalculator/> to document and print out the income determination for each household. These procedures are based on the Part 5 definition of Income. It is important to remember that under the Part 5 definition assets are part of the income calculation. If the cash value of assets is

greater than \$5,000, an imputed asset calculation must be completed and compared to the actual income received from assets.

- **Income** (regular, periodic payments)
 - Social Security Disability Insurance (SSDI) or Social Security Supplemental Income (SSI) – obtain current year’s Social Security Administration (SSA) award letter
 - Employment – obtain 3 months of statements for sheltered workshop jobs or if other employment, 4 current and sequential pay statements.
 - Veterans Administration (VA) – obtain current year’s award letter
 - Railroad Retirement – obtain current annual statement
 - Self- employed –obtain the most recent tax return and base projected income based on the prior year earnings unless the business owner can provide support documentation for why the prior year earnings are not a valid projection
 - Parental support payment – obtain court-ordered payment for disabled adult child
 - Other income sources may include disabled children of parents who held various occupations such as coal miner, teacher, etc. – obtain monthly amount.

- **Assets**
 - Checking accounts – obtain a few months of statements to include an average balance (note: Technical Guide says average 6 month balance which HUD has rescinded).
 - Saving accounts – obtain most recent statement and use current value
 - Retirement (applicant can access prior to turning of age – 401(k), IRA, etc. accounts) – obtain most recent statement
 - Whole life insurance policies (note: term life insurance is not counted because it cannot be accessed while living)

At the time of income eligibility determination, staff will conduct the following step by step process:

1. Staff reviews the income eligibility documentation for income and asset sources. Complete an income eligibility determination form, including imputed asset calculation as applicable (Attachment 6: Income Determination Form).
2. If the income eligibility documentation is incomplete, staff will clarify with the applicant what documents are needed to complete the eligibility determination and the application will be placed on hold until the additional documentation has been submitted.
3. Staff compares income eligibility determination form to the income limits to ensure the applicant is below the Low Income Limit (80% of area median income).

4. Once the income eligibility documentation is completed and is accepted, staff places the income eligibility determination form and accompanying documentation in the applicant's file.
5. The date of the income eligibility determination must be completed. Income determinations are considered valid for six months. If the commitment of assistance has not been completed within 6 months of the income determination, the documentation will need to be updated and the income recalculated to determine if the applicant remains eligible for assistance.

3.4 Long Term Affordability Requirements

All Recipient Agencies receiving an allocation of KCDBG-DR funds to undertake homebuyer activities will be required to utilize the recapture provision as described by the HOME regulations at 24 CFR 92.254(a)(ii)(A)(2) - Reduction During the Affordability Period. This provision will be enforced by including appropriate language in the KCDBG-DR agreement with the homebuyer, mortgage documents, and lien documents.

The assisted homebuyer must reside in the home as his/her principal residence for the duration of the period of affordability. In the event the homebuyer transfers the property, either voluntarily or involuntarily, during the period of affordability, DLG or the KCDBG-DR subrecipient or developer will recapture all or a portion of the "direct" KCDBG-DR assistance provided to the homebuyer from the available net proceeds. The direct KCDBG-DR assistance is the total amount of KCDBG-DR assistance that enables the buyer to purchase the unit, including: downpayment and closing cost assistance, interest subsidies, and other assistance provided directly to the homebuyer (e.g., soft second mortgage), and if applicable, the amount that reduces the purchase price from fair market value to an affordable price.

The portion recaptured by KCDBG-DR subrecipient or developer on behalf of DLG will be a pro-rata amount of the direct KCDBG-DR assistance. The total amount of the loan will be reduced for each year that the owner occupies the unit. For instance, for each year of a five-year affordability period, one-fifth of the amount of the KCDBG-DR assistance will be forgiven. To make the determination of what is forgiven: (Number of years the buyer occupied the home/period of affordability) X total amount of direct KCDBG-DR assistance originally provided to the homebuyer = amount forgiven. Total amount of direct KCDBG-DR assistance – the amount forgiven = Recapture Amount.

In the event net proceeds of the sale are insufficient to repay the amount owed, recaptured funds will be equal to net proceeds, and the loan will be considered satisfied. Net proceeds are defined as the sales price of the home minus superior loan repayment (not including KCDBG-DR loans) and any closing costs paid by the seller. The recapture provision is in effect for a period of affordability that is based on the amount of direct KCDBG_DR assistance to the buyer, as follows:

Amount of Direct Assistance to Buyer Period of Affordability Under \$15,000 5 years \$15,000 to \$40,000 10 years Over \$40,000 15 years.

Recapture Example

Ms. Mary Smith purchases a home for \$225,000 in June of 2024 and received \$20,000 in direct KCDBG-DR assistance from ABC nonprofit (who is a Recipient Agency using KCDBG_DR) funds from DLG). Ms. Smith sells the house in August 2029, after the fifth year of affordability. As a result, 50 percent of her loan is forgiven and a balance of \$10,000 is to be repaid from the net proceeds. However, if the net proceeds of the sale are insufficient to repay the balance, the amount subject to recapture will be equal to the net proceeds.

Noncompliance

During the affordability period, noncompliance occurs when an owner (1) vacates the property or rents the property to another household, or (2) sells the home without DLG receiving recaptured funds due at time of sale. DLG will require local program administrators to monitor its homebuyer properties to confirm that owners continue to reside in the units as their principal residence. In the event of noncompliance, the owner is subject to repay any outstanding KCDBG-DR funds invested in the housing. This is based on the total amount of KCDBG-DR funds invested, including both development funds and direct subsidy to the buyer minus any KCDBG-DR loan repayments.

3.5 Program Policies

3.5.1 Limited English Proficiency (LEP)

LEP is a designation for persons that are unable to communicate effectively in English because their primary language is not English. Recipients of federal funds awarded or drawn through DLG are required to ensure that meaningful access to services is assured for their LEP clients. Recipients must provide language assistance services that result in timely, accurate, and effective communication at no cost to LEP clients and/or their beneficiaries. Such language assistance services are to be provided in accordance with the guidelines set forth in the U.S. Department for Health and Human Services "Guidance to Federal Financial Assistance Recipients Regarding Title VI Prohibition Against National Origin Discrimination Affecting Limited English Proficient Persons." DLG is available to assist Recipients in identifying and developing appropriate language assistance measures. If an application is funded, the local government or nonprofit agency will be required to conduct a four-factor analysis, develop a Language Access Plan (LAP), if necessary, and provide a description of outreach efforts during the Letter of Conditional Commitment stage.

3.5.2 Subrecipient Language Access Plan

DLG and subrecipients are required to ensure meaningful access to agency services, programs and activities for persons who have LEP. From intake to

closeout, subrecipients must identify homeowners who have difficulty speaking or reading English and ensure that services are available to them in accordance with the [KY DLG Language Access Plan](#).

In order to determine if language assistance is required by recipients of federal funds through DLG, all Recipients are required to follow the measures outlined below:

1. Conduct the four-factor analysis prior to advertising for application public hearing.
2. If the four-factor analysis reveals there are 1,000 or more LEP persons, or 5 percent or more LEP persons in the eligible population in the jurisdiction or among current beneficiaries, the applicant will provide appropriate language assistance by:
 - a. Translating all vital documents;
 - b. Posting notices of application public hearings in areas frequented by LEP persons of the threshold population(s) in the language(s) spoken; and
 - c. Providing translation services at public hearings, if requested to do so by LEP persons.
3. If the four-factor analysis reveals there are less than 50 LEP persons but 5 percent or more LEP persons in the eligible population in the jurisdiction or among current beneficiaries, the applicant will provide appropriate language assistance by:
 - a. Posting notices of application public hearings in areas frequented by LEP persons of the threshold population(s) in the language(s) spoken; and
 - b. Providing translation services at public hearings, if requested to do so by LEP persons.
4. If the four-factor analysis reveals there are less than 50 LEP persons and less than 5 percent LEP persons in the eligible population in the jurisdiction or among current beneficiaries, the applicant will provide appropriate language assistance by providing translation services at public hearings, if requested to do so by LEP persons.

If a LAP is required, the Recipient's LAP will include certifications that LAP has been developed, adopted, and will be implemented for all CDBG-funded projects. The Recipient's LAP will include an identification of all LEP populations exceeding 1,000 or five percent of total jurisdiction population, whichever is less, the identification of materials to be made available to LEP persons, the means by which the materials will be made available to LEP persons, and the identification of any other translation services which may be necessary. Recipients will be monitored for implementation of their LAPs

All agencies receiving federal funds through DLG will report annually on services provided to LEP persons. Agencies will review their respective plans each year to evaluate their effectiveness and to make any needed changes.

DLG will assist agencies in finding appropriate translation resources, and disseminate translated federal program notices, brochures, posters and other documents. DLG will monitor the delivery of any required language assistance on an ongoing basis. It will review the LAP, evaluate the effectiveness of its implementation, and update the LAP, on an annual basis, in order to ensure continued responsiveness to community needs. The LAP evaluation will consist of:

- Revision of the LAP, as necessary, by monitoring changes in demographics and services provided, updating available resources and tools, modifying methods of implementation and addressing any issues of concerns.
- Analysis of language assistance usage, including the amount of language service requests, surveying the languages most frequently encountered, identifying the primary modes of communication, and costs associated with services rendered.
- Assessment of response to requests by LEP individuals and Recipients regarding the delivery of language assistance services

3.6 Fair Housing and Civil Rights

The Fair Housing Act requires all grantees, subrecipients, and/or developers funded in whole or in part with HUD financial assistance to certify that no person was excluded from participation in, denied the benefit of, or subjected to discrimination in any housing program or activity because of their age, race, color, creed, religion, familial status, national origin, sexual orientation, military status, sex, disability, or marital status. DLG complies with and enforces the Civil Rights requirements of Title I of the Housing and Community Development Act and the Fair Housing Law.

DLG follows policies and procedures for compliance with Affirmatively Furthering Fair Housing (AFFH) during the design and implementation of all program activities. This includes an assessment of the demographics of the impacted residents, of proposed project areas, socioeconomic characteristics, environmental hazards or concerns, and other factors material to the AFFH determination.

Subrecipients are required to designate a fair housing and equal opportunity coordinator to be the prime liaison with DLG. This coordinator will review all plans and activities for compliance to suggest strategies and actions that can be undertaken to comply with the spirit and intent of the law. DLG requires communities with an open CDBG project to annually report on efforts undertaken to affirmatively further fair housing and equal opportunity.

3.7 URA

The URA provides relocation assistance to any person as defined at 49 CFR 24.2(a)(9)(i) that is displaced as a result of a federally assisted project involving acquisition, demolition, or rehabilitation. Displaced persons include individuals, households, businesses, non-profits, and persons storing property on site. URA may apply to those homeowners who reside in a Special or Attached Dwelling Unit and rent out a portion of that residence. Please reference Chapter 8 in the

Subrecipient Manual for further guidance on the Program's policy on who is considered displaced and who meets occupancy requirements, as well as the State's process for implementing URA provisions.

In the event a renter is occupying a property participating in the Program, the property owner must comply with all URA requirements for notices and applicable services. These may include, but are not limited to, a notice to vacate in an instance of temporary relocation, replacement housing payments, housing of last resort, and moving expense payments. Tenants of properties receiving assistance that results from the funding of a property under the Program may be either temporarily or permanently displaced. Relocation in the Program is anticipated to concern primarily temporary relocation activities, meaning renters may return to the property after the rehabilitation activities are complete. Designated Housing Recovery staff (Relocation Specialists) will work with each applicant with a tenant-occupied property to assist property owners in complying with URA requirements. The Program will comply with the policy on acquisition and relocation and will minimize displacement, per the State's Residential Anti-Displacement and Relocation Assistance Plan (RARAP).

4 Repayment Policy

During the course of implementing and monitoring the Program, subrecipient files may be identified for potential grant recovery during one of several reviews by program staff or auditors.

As a result of this review, a subrecipient may be required to repay all, or a portion of funds received by the Program. Reasons for repayment of program funding include the following:

- A subrecipient or homeowner is determined to have provided false or misleading information to the Program.
- A homeowner withdraws from the Program prior to completion of the project.
- The subrecipient does not complete construction or environmental remediation activities.
- A homeowner does not report receipt of additional insurance, SBA, FEMA, or other duplicative assistance.

Projects will not be closed out until all funds have been repaid to the Program.

4.1 Conflict of Interest

In accordance with federal requirements, the Program will adhere to the following conflict of interest provisions established for the CDBG-DR Program and as fully described in the DLG Conflict of Interest Policy in Chapter 1 of the Subrecipient

Manual. For the Program, the following areas have been identified as potential areas of conflict:

- Program Staff/Property owner Applicant or Staff/General Contractor relationships
- Property owner Applicant/General Contractor relationships
- Evaluation and approval process

Efforts should be made to recognize and resolve potential conflicts in the application phase, as well as through implementation of the activity. DLG has outlined the following requirements and persons covered:

- State CDBG Regulations at 24 CFR 570.489;
- CFR Parts 200, 215, 220, 225, and 230;
- KRS 45A.340 (covers what specifically constitutes a 'conflict of interest' pertaining to public officers and employees) for public municipalities that have adopted the Model Procurement Code;
- KRS 99.350(8)(covers public officers and employees that participate in the formulation of a development area and dictates what conflicts are prohibited) and;
- KRS 61.252 covers city employees, officers, and exceptions to conflicts of interest.

4.2 Reporting Requirements and File Management

4.2.1 Reporting Requirements

Subrecipients must submit a Certification of Inspection and Contract Construction Payment Request form with each draw request (form 6-22). The form is located in Chapter 6 of the Subrecipient Manual. Payment requests will not be processed without the form completed in its entirety.

4.2.2 File Management

It is important that the grantee fully document compliance with all applicable regulations. This is accomplished through maintaining comprehensive records and submitting all necessary reports.

The filing system should be easy to use and provide a historic account of activities for examination and review by the State, auditors and local staff. For more information and details please refer to Chapter 1 of the Subrecipient Manual, Section 1-K. Chapter 1 will also provide lists of regulatory documentation necessary for the contract folder. However, each household assisted will also require a folder that relates only to that address. Therefore, each individual housing project file should contain the following:

- Developer agreement and all associated paperwork including the duplication of benefits documentation;
- Homebuyer Application and all associated paperwork including the duplication of benefits documentation;

- Affordability Assistance Underwriting Worksheet;
- Pending Homebuyers and Disqualified Homeowners, Family Survey; Work Write-ups and Cost Estimates
- Master Complaint File;
- Proof that Recipient Received a Copy of the Grievance Procedures
- Settlement Statement for each unit sold;
- Affordability assistance loan/grant agreement and evidence of recorded lien;
- Homebuyer Release for Verification of Income;
- Verification of Income and Employment Executed Loan/Grant Documents;
- Executed Contract (with contractor) Documents;
- Homebuyer Counseling Certification of Completion;
- Notice to Proceed;
- Progress and Final Inspection Reports;
- Progress Payments and Final Payment Documentation (including cancelled checks);
- Change Orders, if any ;
- General Contractor/Subcontractor/Material Affidavit, Warranties and Release of Liens ;
- Promissory Note, if applicable ;
- Real Estate Mortgage, if applicable;
- Follow-up Visit Inspection (within 60 days of job completion);
- Copies of Written Complaints, Resolution, and Correspondence (also include in Master Complaint File).

4.3 Complaints and Appeals

4.3.1 Section 504 Coordination Complaints and Grievances

Section 504 prohibits discrimination on the basis of disability in programs conducted by federal agencies, in programs receiving federal financial assistance, in federal employment and in the employment practices of federal contractors. Complaints regarding accessibility can be reported to the State's Section 504 Coordinator. Plan publication efforts must meet the effective communications requirements of 24 Code of Federal Regulations (CFR) 8.6 and other fair housing and civil rights requirements, such as the effective communications requirements under the Americans with Disabilities Act. Chapter 7 of the CDBG guidebook contains more information regarding Section 504 and its requirements.

If any person who believes they have been denied opportunities or treated differently due to their race, color, national origin, sex, sexual orientation, gender identity, age, disability, religion and/or familial status may file a complaint. Complaints can be made directly to DLG.

4.3.2 Grievances Received by Grantees

Occasionally grantees receive complaints regarding their projects and activities; therefore, it is required under the citizen participation requirements that the grantee develop a procedure to respond to complaints and grievances.

Grantees must provide citizens with an address, phone number, and time period for submitting complaints and grievances. The grantee must respond to the complaint within 15 working days of receipt, where practical.

Each complaint and the resolution to the complaint should be well documented in the grantee's files and kept in a project complaint file for any project related complaints.

4.3.3 Grievances Received by DLG

Because complaints and grievances are best handled at the local level, DLG will forward any complaints it receives concerning projects to the grantee for response. The complainant will be notified that the complaint has been forwarded to the grantee for resolution. The grantee will follow their grievance procedures.

The grantee has to follow the same timeline of 15 working days from receipt from DLG (where practical). A copy of the letter of resolution must be submitted to DLG. If the grantee does not provide a resolution, DLG will work with the grantee and the complainant to resolve the complaint.

4.3.4 Beneficiary Program Appeals

4.3.4.1 Method of Submitting Appeals

Homeowners may appeal the following types of decisions made by the Program:

- Program eligibility
- Grant award calculation, prior to execution of the grant agreement
- Cost estimates, for repairs or reconstruction, limited to measurements of the home and/or quantities of damaged materials only
- Duplication of benefits
- File closure

All appeals must be submitted in writing to the subrecipients within thirty (30) days of the decision (defined as either the date of notification by electronic means or the certified mail delivery date). Homeowners may submit appeals via email, the Program's website, or U.S. mail.

4.3.4.2 Processing Appeals

The subrecipient will acknowledge receipt of appeals it receives within three (3) to five (5) business days of receipt. As part of its review, the program may request additional information from an outside party or from

the applicant. In such cases, the program will provide a deadline by which the requested information must be provided (in most cases, one (1) to five (5) business days).

Regardless of the reason(s) a homeowner files an appeal, the entire file will undergo a full review. Each appeal will be reviewed against Program policies and requirements, and applicable local, State, and Federal law. Subrecipients should be aware that this full file review may result in positive or negative changes to the eligibility status or an increase or decrease from the previous award amount. Such variations in the final award are necessary to ensure that the home is properly repaired and that the Program only pays for work that is necessary, reasonable and within Program guidelines. In any instance of a decrease in the actual cost of the repair, reconstruction, or home replacement, the grant award and disbursements will be reduced to reflect the reduction.

4.3.4.3 Responses to Appeals

The subrecipient will review the appeal, make a decision, and notify the applicant in writing of the decision within ten (10) business days of receipt. However, some cases may require additional time for review. In such cases, the Program will notify the applicant that the appeal decision will be delivered later than the 10 business day timeline. The Program will keep a record of each appeal that it receives in its system of record and copy the State on each written response.

5 Eligibility

5.1 Ineligible Activities

Homebuyer applicants will need to be notified of ineligibility through mail or electronically.

Activities ineligible for assistance from the program include but are not limited to the following:

- Properties constructed that are:
 - Properties located in a floodway
 - Properties located in areas where federal assistance is not permitted.
 - Manufactured units that do not meet the program requirements
 - Luxury or non-standard items, such as swimming pools, Jacuzzis, high-end appliances, window air conditioners, washers and dryers, etc.;

- Homebuyer assistance that is for:
 - Homes not to be occupied as the primary residence
 - Assistance for homebuyers determined not to meet the DOB standards

- Income payments, which are defined as grants to an individual or family that are used to provide basic levels of food, shelter (i.e., payment for rent, mortgage and/or utilities) or clothing;
- Labor time for sweat equity may not be paid out to recipients of rehabilitation assistance.

5.1.1 Required participation in the National Flood Insurance Program

Assistance for the construction of single family homes under this program may not be funded in communities that do not participate in the National Flood Insurance Program (NFIP) are not eligible for this Program because they are prohibited to receive federal assistance.

6 City or County Government Subrecipient Application

6.1 Application Process

This section provides an overview of the application process. In this document, the term applicant refers to cities, counties, or tribal governments that will be subrecipients. Subrecipients will complete an initial reconnaissance of homes and beneficiaries in their jurisdiction eligible for rehabilitation and reconstruction prior to submitting an application to DLG. An application window will be provided to eligible subrecipients. In order for these applications to be eligible, subrecipients must establish that their program responds to a demonstrated need, provides an impact to vulnerable communities, meets a national objective, qualifies as a CDBG-DR eligible activity and is located in a disaster-affected area.

Application approval and associated funding decisions will be made through evaluation of threshold criteria related to the grant application and subject to funding availability.

For applications to be eligible, the subrecipient must show that the project will:

- Respond to a demonstrated need
- Impact vulnerable communities
- Meet a national objective
- Qualify as a CDBG-DR-eligible activity
- Be located in a declared disaster-affected area

6.2 Application Method

Applications will be accepted until all grant funds are expended.

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

- Dlg.ofg@ky.gov; or
- Dlg.dr@ky.gov

DLG will conduct a threshold review and any applications that are submitted incomplete or missing attachments will be placed on hold. The program will make attempts to contact the applicant to assist with application completion.

6.3 Application Requirements

An application is considered complete if it includes the following components:

- A signed, dated, complete original copy of the **CDBG-DR Single Family New Construction Program Application available on the Kentucky DLG - DRP Grants website.**
- And all of the following:
 - KCDBG-DR Single Family New Construction Sources and Uses Development Budget template
 - Preliminary site plan including both the units and infrastructure
 - Specifications for the proposed units including unit size and amenities
 - Public Hearing documentation and other Citizen Participation requirements as found in Chapter 1 of the Subrecipient Manual
 - Title VI Form- Description found in Chapter 1 of the Subrecipient Manual and the Form (7-2) is found in Chapter 7.
- **Documents to Attach:**
 - Project Area Map with boundaries
 - Grant Administration Plan: for more information refer to **Appendix A**
 - Proposed Designs and Plans (Project Scope)
 - Authorizing Resolution to submit the application adopted by the community's governing body
 - All Funding Commitment Letters
 - Kentucky State eClearinghouse Endorsement
 - Letter of determination of eligibility for listing on the National Register of Historic Places from the Kentucky Heritage Council, and clearance from the State Historic Preservation Officer when applicable
 - If project involves a non-profit organization, please provide proof of the non-profit organization's 501(c)(3) status to prove eligibility.
 - Documentation to substantiate that conflict of interest provisions have been discussed with the governing body and possible recipients.
 - DLG reserves the right to request any additional information as necessary.

6.4 Withdrawn Applications

6.4.1 Voluntary Withdrawals

Subrecipient applications may be withdrawn by an applicant at any time. All parties who wish to withdraw must clearly provide a written notice of their intent

to voluntarily withdraw to the entity they originally applied to with a copy to DLG. The subrecipient will send the homeowner a written notice of acknowledgement of voluntary withdrawal.

6.4.2 Administrative Withdrawals

Subrecipient applications may be administratively withdrawn by DLG for the following reasons:

- Required documentation or information is not submitted within the deadline provided in the application for participation in the program;
- DLG determines that there is a duplication of another valid application or conflicting program such as the Hazard Mitigation Grant Program (HMGP);
- Subrecipient becomes unresponsive.

Subrecipients are required to develop their own withdrawal policy which includes the following reasons for withdrawal from the program:

- Any homebuyer that fail to provide required documentation or information within the deadline described in the written request. Homebuyers will receive a notice giving them fifteen (15) days to provide the required information.
- The program confirms that an application is a duplication of another valid application or conflicting Program such as the Hazard Mitigation Grant Program (HMGP).
- A homebuyer is determined to have provided false or misleading information.
- A homebuyer becomes unresponsive.
- A homebuyer is aggressive and/or abusive to a DLG employee or any other representative or affiliate of the Program, including, but not limited to, Program Representatives.

6.5 Subrecipient Award Notification

Once applications have been scored and an award is determined, subrecipients will be notified directly from DLG. DLG will provide a preliminary approval letter that includes the following:

- Award amount;
- Project completion date;
- Environmental Review requirements;
- Procurement requirements; and
- Any missing information that is needed to proceed

Subrecipients must indicate acceptance of the conditions by signing the preliminary approval letter and returning to the DLG office. No costs can be incurred until the

subrecipient has entered into a grant agreement with the Commonwealth and received Environmental Clearance.

6.5.1 Homebuyer Application Intake

The following information should be included on all homebuyer applications:

- Name, address, phone number
- Household composition
- Race, ethnicity, and disability status
- Source and amount of income for all household members
- Description of assets
 - Length of ownership
 - Mortgage or lien holders
 - Insurance coverage
 - Utility types and monthly costs
 - Narrative of how the household has been impacted by a disaster such as loss of a home
- Completed Duplication of Benefits forms:
 - 10-04 DLG Homebuyer DOB Form
 - 10-08 DOB Attestation Certification
 - 10-11 Subrogation Agreement
- Insurance information including prior to closing:
 - insurance provider contact information;
 - policy coverage information and ID; and

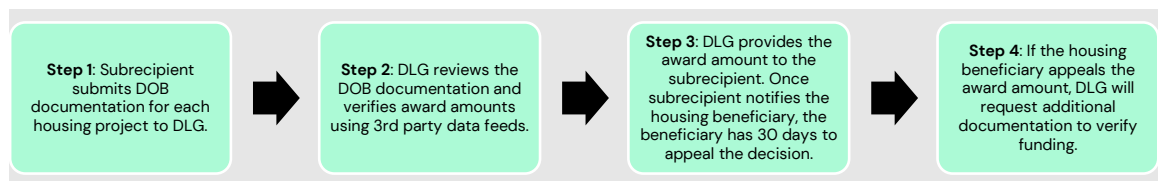
6.6 Non-profit partners

Subrecipients are eligible to partner with local, non-profit organizations in Kentucky to administer all or part of a CDBG-DR program, as memorialized in a legally binding agreement. If a non-profit entity would like to apply directly for these funds they must contact DLG for more information on this process.

7 Duplication of Benefits

The Duplication of Benefits process is described in detail in chapter 10 of the CDBG-DR subrecipient manual.

Subrecipients are responsible for collecting all documentation pertaining to duplication of benefits (DOB) that will be verified by DLG for both the single family construction project and the assisted homebuyer purchasing the KCDBG-DR funded units. .



Homebuyers must report all assistance they have been awarded or from third-party sources such as flood and homeowner's insurance, Increased Cost of Compliance (ICC), Federal Emergency Management (FEMA) assistance, loans from the Small Business Administration (SBA), and any assistance from other government or private non-profit sources. Any funds received from these sources that are for the same intended use as the purchase of a replacement unit must be considered when the amount of the grant is determined. Funds received from these sources for other purposes such as temporary housing and replacement of household contents are not considered a DOB. Personal funds or private mortgages are not considered in the DOB calculation.

8 Beneficiary Grant Determination and Award

8.1.1 Ineligible Costs

Costs incurred for the items listed below are ineligible. Costs that are outside the CDBG-DR scope of work are not Program eligible. Any upgrades to the materials or scope of work must be paid out of pocket by developer and directly to the contractor. CDBG-DR funds will not be issued until all ineligible expenses are paid. Ineligible items and activities include, but are not limited to, the following:

- Income payments, which are defined as grants to an individual or family that are used to provide basic levels of food, shelter (i.e., payment for rent, mortgage and/or utilities) or clothing;
- Luxury or non-standard items, such as swimming pools, Jacuzzis, high-end appliances, window air conditioners, washers and dryers, etc.; and
- Labor time for sweat equity may not be paid out to recipients of rehabilitation assistance.

8.1.2 Manufactured Housing Units

A Manufactured Housing Unit (MHU) is a structure that is transportable in one or more sections. In the traveling mode, the home is eight (8) body-feet or more in width and forty (40) body-feet or more in length. It is at least three-hundred and twenty (320) square feet, built on a permanent chassis, and designed to be used as a dwelling with or without a permanent foundation when connected to the required utilities. The MHU also includes plumbing, heating, air-conditioning, and electrical systems. The structure must be designed for occupancy as a principal residence by a single household.

Subrecipients wishing to use manufactured units under this program will need to work with DLG to determine if the proposed units meet the Program standards for quality, energy efficiency, and serviceability.

8.1.2.1 Structure Specific Requirements

All new replacement MHUs will be required to meet Federal Construction Standards and appliances must meet Energy Star requirements.

8.2 Homebuyer Grant Agreement

All homebuyer beneficiaries are required to sign a grant agreement to comply with Program requirements.

The Grant Agreement requires the owner to certify that they understand and agree to all the terms of the Grant Agreement including the following provisions:

- Confirm that they will occupy the property as their primary residence throughout the affordability period or trigger repayment requirements;
- Insurance Requirements: homebuyers will be required to obtain and maintain hazard insurance at a minimum up to the level of both the private mortgage lien and the CDBG-DR affordability assistance lien amount.
- Agree to the subrogation requirements as detailed in Chapter 10 of the Subrecipient Manual;
- Declaration of covenants and restrictions to ensure project completeness and that it meets a national objective.
- Execute other program documents as necessary.

All self-certified information may be investigated by the Program, HUD, or other entities at a later date. Homebuyers are under an obligation to comply with any Program request for verifying documentation that supports a self-certification, even after awards have been granted and the file has been closed.

In accordance with the Stafford Act, homebuyers that previously received disaster recovery assistance after September 14, 1994, are required to obtain and maintain adequate and necessary flood insurance coverage when applicable.

If the homebuyer beneficiary has a power of attorney, the original POA documents must be provided to the program in person or via certified mail.

8.3 Lien Agreement

Affordability assistance for homebuyers will be provided in the form of a loan and will include the KCDBG-DR recapture provisions. Assistance will generally be in the form of a forgivable loan resembles a grant in that if the present owner retains the property for a certain period (usually a minimum period of five years), no

repayment is required. The forgivable loan is instituted through the use of a Lien Agreement. Each year the owner retains ownership and resides in the home a certain percentage of the loan amount is forgiven as if it were a grant following the recapture provision. Should the owner continue as owner-occupant of the home until the term of the note expires, the owner pays nothing and has no conditions on the disposition of the property. Should the property be sold, vacated or its use changed prior to the expiration of the note, the owner owes the grantee whatever balance remains on the note.

There may be instances when the required underwriting identifies homebuyers that after paying the cost of a first mortgage may have the ability to affordably make payments on the secondary affordability loan. Subrecipients have the ability to work with DLG to establish policies and procedures to manage amortized loans. This would require DLG review and approval.

The Lien Agreement is a promissory note or the homeowner's written promise to adhere to all the commitments made in the Lien Agreement and stipulates when and how all of the terms of the loan are to be satisfied. Lien Agreements must be recorded at the County Clerk's Office.

The affordability term for the Single Family New Construction program will follow the recapture provisions and will be based on the level of direct affordability assistance provided to the homebuyer.

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Note: A Mortgage Agreement and Promissory Note Template can be found here: [Kentucky DLG - DRP Grants](#)

9 Pre-Construction

The subrecipient should refer to the Subrecipient Manual for more specific guidance and requirements in addition to those specified within this policy. This policy is intended to identify activities and actions specific to the Program and not to supersede those requirements detailed within the Subrecipient Manual.

9.1 Inspections

The subrecipient shall review the proposed scope of work prior to project start to ensure that all applicable elements are included within the work scope. Should any work scope determined to be required be missing, it should immediately be brought to the attention of the inspector, and the issue will be reviewed to ensure that any incomplete or missing scope elements are included. A sample Certificate of Inspection is provided with Chapter 6 of the Subrecipient Manual.

DLG will require systematic and thorough inspections for each project assisted by the program. DLG strongly recommends that the subrecipient engages an experienced construction and/or building inspector to provide quality inspections, ensuring that work performed is completed as prescribed. Inspections should be

conducted frequently and should be documented formally in the project files. Periodic interim inspections of the progress will be made by the subrecipient throughout the period of performance. DLG or designated agency representatives may also conduct periodic inspections as needed and as requested by DLG.

Inspections are conducted in order to assure compliance with the contract standards for workmanship and materials, to detect any unauthorized deviations and to identify necessary changes to the contract work in its early stages. Interim inspection reports should be prepared and signed by the subrecipient representative, rehabilitation inspector, contractor and property owner. Inspection and approval of completed work must be conducted by the subrecipient prior to the contractor's request for partial or final payment. A sample Certificate of Inspection and Contractor Payment Request is provided with Chapter 6 of the Subrecipient manual.

A final inspection of the work must be performed prior to the final payment to the contractor in order for the project to be considered complete. Subrecipients will be required to maintain Certification of Inspection and will make available to DLG or designated agency representatives upon request during program monitoring. Subrecipients must be aware that this final inspection of the work is not the last inspection of the project. DLG or designated agency representatives will require a follow-up inspection 60 days after project completion. A sample Certification of 60-Day Follow Up Inspection is provided with Chapter 6 of the Subrecipient Manual.

The subrecipient must perform a follow-up inspection of the property 60 days after job completion. This inspection allows the grantee to see if there are any problems with the job. If problems have occurred, the grantee should assist the property owner to obtain corrective action according to the warranty.

9.2 Bonding Requirements

Bonds are negotiable instruments required by federal and state law from construction contractors as a form of insurance. The bonds are available to contractors from surety companies, which are then turned over to the subrecipient to protect against situations that may arise.

State law requires that, for project contracts over \$100,000, contractors must secure a performance bond for 100 percent of the contract price as it may be increased and a payment bond for 100 percent of the original contract price. Refer to KRS 45A.430. Federal bonding requirements are also triggered when contracts exceed \$100,000 in value, per 2 CFR 200.325.

9.3 Pre-Construction Conference

Prior to the start of construction, the subrecipient will hold a pre-construction conference with the applicant and the contractor(s) awarded the contract(s). At the pre-construction conference, the final work write-up(s) (project specifications) will be reviewed by all parties, line item by line item, to ensure a thorough understanding of the work to be accomplished. The contractor is encouraged to

have any required subcontractors present. Should any program eligible additions or deletions be required, the applicant may request that the Program review and modify the scope of work. A sample Pre-Construction Checklist (6-20) is provided with Chapter 6 of the Subrecipient Manual.

Additional topics to be discussed at the pre-construction contract include, but are not limited to:

- Timing and coordination of the sequence of the work (especially when and where lead hazard reduction activity or rehabilitation work that disturbs painted surfaces, known or presumed to be lead based paint, are to be accomplished, and/or if the project entails multiple contracts covering various components of the entire project);
- Temporary relocation, limited access to living areas, and coordination of household schedule with lead-based paint work activity issues, as applicable (i.e., conveyance of the details of the community's temporary relocation offering and options, responsibilities, timing and coordination, packing and moving, storage, secured property owner non-access to work area(s) during interior lead hazard reduction work, specialized cleaning, clearance testing and final visual assessment, and the community's authorization of re-occupancy following completion and successful clearance testing); and
- Safe work practices and OSHA requirements, as applicable. Additionally, the responsibilities of all parties to the contract(s) need to be thoroughly discussed. The various processes and procedures involved in completing the project also need to be covered (e.g., change order procedures, contractor payment processes, various lead hazard reduction requirements, grievance / dispute resolution procedures, etc.).
- Green Building Retrofit or Green and Resilient Building Standard requirements. The specific requirements of the selected standard(s) and compliance activities should be reviewed.

9.4 General Contractor Responsibilities

The general contractor is responsible for ensuring that the project is completed, and that work is performed to industry standard as well as HUD and programmatic standards. The general contractor is required to provide to the applicant and subrecipient any and all:

- Permits
- Inspections
- Reports
- Clearances
- Certificates of Completion or Occupancy
- Any other relevant construction documents

The general contractor is required to abide by State contracting law including, but not limited to, the Kentucky Fairness in Construction Act of 2007.

9.5 Grievances

Subrecipients should refer to the Subrecipient Manual Chapter 01: Project Administration for additional specifics regarding program and/or project related grievances. Occasionally grantees receive complaints regarding their projects and activities; therefore, it is required under the citizen participation requirements that the grantee develop a procedure to respond to complaints and grievances.

Subrecipients must provide citizens with an address, phone number, and time period for submitting complaints and grievances. The grantee must respond to the complaint within 15 working days of receipt, where practical.

Each complaint and the resolution to the complaint should be well documented in the grantee's files and kept in a project complaint file for any project related complaints.

9.6 Construction Warranties

General contractors are responsible for providing a warranty. The Program does not provide warranty services. The contractor must present warranty documents to the applicant which detail the length and method of claim request. The program requires eligible contractors to provide a warranty of:

New Construction projects must have a 1-year fit and finish warranty period, a 2-year mechanical, electrical and plumbing (MEP) warranty period, and a 10-year structural warranty period.

All warranty claims are between the homeowner and the developer. Instructions on how to file a warranty claim and a copy of a claim form must be provided to the applicant by the developer.

9.7 Section 3

Section 3 is a provision of the Housing and Urban Development Act of 1968. The purpose of Section 3 is to ensure that employment and other economic opportunities generated by certain HUD investments, to the greatest extent feasible, are directed to low-and very low-income persons and to business concerns which provide economic opportunities to low-and very-low income persons. The goal is to keep dollars local and help foster local economic development, neighborhood economic improvement, and individual self-sufficiency. Section 3 applies to recipients of \$200,000 or more in CDBG-DR assistance. The types of projects that are covered by Section 3 are housing construction, demolition, rehabilitation, or other public construction (e.g, infrastructure or community facilities). Section 3 applies to the entire project even when the CDBG-DR funds are only a portion of the total funding. To learn more see Chapter 3 of the CDBG-DR Subrecipient Manual -

<https://kydlgweb.ky.gov/Documents/DRP/00%20Subrecipient%20Manual%20Chapter%2004%20Procurement.pdf>

10 Construction

The subrecipient should refer to the CDBG-DR Subrecipient Manual chapter 6 section 6-J for more specific guidance and forms.

Additionally, the project must follow the selected Green Building Retrofit or Green and Resilient Building Standard requirements. Refer to Chapter 11 of the Subrecipient Manual.

The following are the applicable building codes currently adopted by Kentucky and referenced at

https://dhbc.ky.gov/Documents/DHBC_CodesCurrentlyAdopedbyKentucky.pdf

- 2018 Kentucky Building Code (Based on the 2015 International Building Code)
- 2018 Kentucky Residential Code (Based on the 2015 International Residential Code)
- 2015 International Mechanical Code
- 2015 International Fire Code (New construction projects, only when specifically referenced by the body of KBC)
- 2012 International Energy Conservation Code (for use with commercial buildings only)
- 2009 International Energy Conservation Code (for use with residential buildings only- see definition in IECC)
- 2009 ICC/ANSI A117.1 Accessible and Usable Buildings and Facilities
- Kentucky State Plumbing Law, Regulations & Code (815 KAR Chapter 20) State Boiler Regulation (KRS 236, 815 KAR 15)
- 2013 NFPA 13 - Installation of Sprinkler Systems
- 2013 NFPA 13D - Installation of Sprinkler Systems in One-and Two-Family Dwellings and Manufactured Homes
- 2013 NFPA 13R – Installation of Sprinkler Systems in Residential Occupancies Up to and Including Four Stories in Height
- 2013 NFPA 14 – Installation of Standpipe and Hose Systems
- 2012 NFPA 54 - National Fuel Gas Code
- 2017 NFPA 70 - National Electrical Code (effective October 1, 2014)
- 2013 NFPA 72 - National Fire Alarm and Signaling Code 2012 NFPA 101 - Life Safety Code (Health Care Facilities)
- 2015 International Existing Building Code

The above is for reference only and is only representative of the many codes and standards currently used in Kentucky. For specific applications not listed above, refer to Chapter 35 of the KBC and IBC.

10.1 Notice to Proceed

Following execution of the contract documents and completion of the pre-construction conference, subrecipient shall issue a Notice to Proceed to each prime contractor to begin performance of the work. The Notice to Proceed must establish the construction start date, the scheduled completion date, and provide the basis for assessing liquidated damages. The Notice to Proceed must include the name of the contractor and the amount of the contract. The construction period and basis for assessing liquidated damages must be consistent with those sections of the contract documents. A sample Notice to Proceed (6-19) is provided with Chapter 6 of the Subrecipient Manual.

The Notice to Proceed must also be sent to DLG following execution. If date of issuance and/or expected completion date changes, it will be memorialized in a change order and provided to DLG. DLG recommends twelve (12) months from the date of the Notice to Proceed to be identified as the completion date.

If required for construction, the applicant must vacate the home, and for duplexes/triplexes the applicant must secure the removal of any tenants in a manner which meets URA requirements. Failure to vacate and allow for construction activities to occur may result in the grant being rescinded. Refer to Subrecipient Manual Chapter 08: Relocation Under the URA and 104(d) for further guidance.

10.2 Construction Monitoring

The subrecipient is responsible for monitoring the progress of construction projects maintaining all records related to permits, environmental remediation, clearances, and any other documents related to the progress and project milestones identified.

Throughout the term of construction on all individual projects, the subrecipient will oversee the work of the contractor(s) and any subcontractors doing the work. Construction supervision should be accomplished primarily through periodic and frequent work-in-progress inspections by the subrecipient's staff. Inspections relating to contractor payment requests, any community required (e.g., building or housing code required) inspections, and any inspections relating to change order requests shall all occur as necessary. Inspections related to Green Building Retrofit or Green and Resilient Building Standard requirements should occur as described in Section 3.1.1 Unit Size and Amenities

The following minimum square foot measurements are required for different types of units. For purposes of this requirement, net square feet are the heated and cooled area of the unit.

- a) One-bedroom and Efficiency units: shall contain at least 600 net square feet
- b) Two-bedroom units: shall contain at least 800 net square feet
- c) Three-bedroom units: shall contain at least 1,000 net square feet
- d) Four-bedroom units: shall contain at least 1,100 net square feet.

Exception: DLG may approve exceptions on a case-by-case basis after reviewing the proposed unit and the intended homebuyer's household needs.

New Construction Housing Accessibility Requirements:

10.2.1 KCDBG-DR funded housing is subject to the accessibility requirements of the Fair Housing Act, as amended. For housing purposes, an accessible dwelling unit is on an accessible route and has accessible

features inside. Under Section 504: Under the Fair Housing Act: HUD

CPD Notice 00-09 Accessibility Notice: Section 504 of the Rehabilitation Act of 1973 and the Fair Housing Act 7-10 October 2021 All newly constructed units in buildings with four or more units that are on the ground level or can be reached by an elevator must be made accessible. The accessibility standard is outlined in the Fair Housing Act. This standard is often referred to as "adaptable," and is generally a less stringent standard of accessibility than UFAS.

Green Building Requirements in this policy.

All inspections performed, and their respective outcomes, must be documented and added to the individual project file. The subrecipient must ensure that the work scope is being performed in a workmanlike manner and completed to industry and program standard.

Additionally, DLG or its representatives may make scheduled or unscheduled site visits to ascertain extent of completion and adherence to expected standards.

10.3 Payments

Upon agreement as to quantities of work completed, a contractor may submit requests for partial or progress payments. Written inspection reports must accompany the contractor's requests for partial payment. Inspection reports, copies of field measurement notes, photos, and test results used to verify contractor's periodic pay estimate for partial payment should be attached to and filed with the periodic estimate for partial payment.

The subrecipient will request the draw inspection(s) from DLG or its designated representatives and, upon successful completion of the draw inspection, will then submit the pay request to DLG. The subrecipient will submit the Certificate of Inspection and Contractor Payment Request form (6-22) found in the forms section of the CDBG-DR subrecipient management guide. DLG will review the pay application for completeness and accuracy and release funds as per the agreement.

10.3.1 Retainage

As per Kentucky Revised Statutes 371.410, a ten (10) percent retainage shall be withheld from partial payments, this percentage can be reduced to five (5) percent at fifty (50) percent completion. The retainage is withheld until after final inspection and receipt of any/all documentation required to be submitted, in case of any unresolved problems. See below for information on how retainage is addressed in the Final Payment.

10.3.2 Final Inspections

All new construction projects must meet Kentucky Residential Code. Green Building Retrofit or Green and Resilient Building Standard final compliance inspection and documentation should also be finalized.

All projects must receive a final inspection and Certificate of Occupancy (if applicable) from the local jurisdiction prior to close out of the activity.

10.3.3 Change Orders

Any and all changes to the contract work write-up require a fully executed change order signed by all parties to the contract. Change orders are needed for any and all substitutions that are made to the project, even if the dollar value of that work item remains unaffected, as well as for time extensions to a rehabilitation construction contract.

The change order must be executed by the owner and the contractor and approved by the Program inspector and the Subrecipient. The contractor's costs associated with all items listed within change orders must also be itemized. A sample Change Order Request is provided in Chapter 6 of the Subrecipient Manual. Change orders are permissible where the cumulative cost of all such orders does not exceed 20 percent of the original contract price and the changes do not constitute a major alteration of the original scope of work. If the proposed change order(s) will cumulatively exceed 20 percent of the original contract, the subrecipient must contact DLG for prior approval.

Each change order must be accompanied by a supporting statement that describes why the change is necessary, additional time requested to perform the work, itemized cost estimates (credit, debit, or no change), and any needed plans, specifications, or supporting imagery. The subrecipient must verify with

DLG or a designated agency that the change order is cost reasonable and approve and authorize change orders before they are given to the contractor.

Change orders should be kept to an absolute minimum and cannot be issued after final payment. Change orders need to be contained in individual project files and those which do not conform to the above requirements may ultimately not be funded by DLG.

10.3.4 Final Payment

When construction work has been completed, the contractor must certify completion of work and submit a final request for payment. A sample of the General Contractor's Affidavit of Completion and Release of Lien Waiver for is provided in Chapter 6 of the Subrecipient manual. The subrecipient should make the final inspection and prepare a written report of the inspection prior to requesting a final inspection be performed by the Program. Before making final payment (less retainage), the subrecipient must ensure that all relevant items noted in Chapter 6 of the Subrecipient Manual are present.

10.3.5 Retainage from Final Payment

Within 30 days from the filing of the acceptance of the work and upon submission of a clear lien certificate by the contractor, along with any other required documents, the subrecipient should release the retainage that has been withheld from each progress and final payment to the contractor (at the subrecipient's option).

If any claims or liens remain after the 30-day period, the subrecipient must take appropriate action for disposition of the retainage and all claims against the bonds in accordance with state law.

10.4 General Contractor Performance Review

The subrecipient should establish a method by which the contractor's work performance is reviewed and periodically perform these reviews. A contractor which fails to meet performance measures should be disallowed from performing additional work under this program.

The performance review should include an assessment of the general contractor's overall performance, from communication and organization to quality of work and resource management. It should also take into account any specific requirements of the job and the contractor's ability to meet those requirements. Additionally, the review should consider the contractor's safety record, adherence to code and industry regulations, and any other relevant criteria.

The performance review should also include the contractor's ability to meet timelines and budget requirements, as well as their ability to work with other team members and stakeholders. Communication is key to any successful project, and the performance review should assess how well the contractor is able to communicate effectively, both internally and externally.

The Program may withhold funding in the event that the contractor's performance is determined to be inconsistent with Program standards and guidelines.

10.5 Construction Closeout

Construction closeout is the final stage of a construction project and is an essential part of the process. It is the process of completing all the remaining tasks necessary to close out the project and prepare it for occupancy. Construction closeout typically involves several steps, including final quality checks, completion of all paperwork, and payment of all contractors and suppliers. It is important to ensure that all construction closeout tasks are completed in a timely manner so that the final product can be delivered on schedule.

Submission of all paperwork, such as the contractor's lien waiver, any subcontractor affidavits, certificate of occupancy or completion, and warranty documents. This paperwork must be provided to the applicant and subrecipient and added to the project file before the project can be considered complete.

Finally, the construction closeout process requires the collection and submission of all as-built documents, such as drawings, photographs, and specifications. These documents are important for the project's future maintenance and should be stored in a secure location. Once all of these steps have been completed, the project can be considered complete and ready for occupancy.

Grantees should have the contractor sign an affidavit for Contract Termination and Release of Lien Form and provide warranty documents, and subcontractors release of lien waivers before final payout. After which, the Notice of Acceptance of Work may be issued to the contractor. A Project Benefit Profile by Person and by Household must also be completed for the homebuyers.

11 Compliance and Monitoring

For activities administered by subrecipients, the State performs monitoring of activities and projects executed by the subrecipient in conformance to the monitoring guidelines. Monitoring guidance for all CDBG-DR programs is found in the Subrecipient Manual. The frequency of the monitoring is dependent on program progress, policy manual changes and amount of spending. The Program Manager may request to perform an internal program desk monitoring review at any time and the subrecipient must make available any and all required documentation for review.

12 Program Closeout

12.1.1 Project Closeout

In addition to the Construction Closeout documentation submitted by the general contractor, Program representatives will work with homeowners to collect all closeout documentation for their file in accordance with the Subrecipient Manual Chapter on Project Closeout. Homeowner files will be closed out in the Program

once all documentation is received and approved by the Program. A final closeout file review will be required to ensure that all documentation required in each step of the process is complete and compliant.

12.1.2 DOB Due Diligence and Monitoring

Upon the closeout of a Single Family New Construction project, both the overall project and homebuyer's DOB compliance must be monitored by the subrecipient by contacting the various agencies noted above or listed in the original DOB calculation, and by contacting the recipient of CDBG-DR funds. The subrecipient or homebuyer must repay any assistance later received for the same purpose as those awarded through CDBG-DR funds. For more information, refer to HUD's *Duplication of Benefits Policy Guidance* at 87 FR 31636 and Chapter 10 of the Subrecipient Manual.

13 Records Management

Records are to be maintained in accordance with 24 CFR part 570.490 and 24 CFR part 570.506. Records are kept to document compliance with program requirements, with federal, state, and local regulations, and to facilitate audit review by HUD and other designated auditors. CDBG-DR records, including program documents, are subject to the Freedom of Information Act (FOIA). More information on Records Management, please refer to the Subrecipient Manual Chapter 1.

13.1 National Objectives

Subrecipients must maintain records that funded activities meet the LMI national objective. Documentation for all LMI beneficiaries must be kept on file including supporting documentation in order to verify income eligibility.

13.2 Beneficiary Records

Subrecipients must maintain records for each household that receive CDBG-DR assistance. For all projects beneficiaries must be tracked by income, race and ethnicity as categorized by HUD, as well as by owner-occupied status, female-head of household (occupied by one or more children under the age of 18), elderly household (62 years of age or older), and disabled household. Subrecipients are advised that additional information may be required for the Program to properly calculate an applicant's grant amount and determine eligibility, and that subrecipient should maintain all records, receipts, invoices and other documentation related to any repairs, construction or clean-up of the property for no less than five years from the date that they close out with the Program.

13.3 Audit

Subrecipients must provide their financial audits for DLG review at the end of each subrecipient fiscal year. If an audit identifies any findings or deficiencies related to the management of CDBG or CDBG-DR funds all documentation that

these findings and any questioned costs have been cleared must be maintained.. If for some reason there are no audited financial statements available, developers must submit IRS standing, operational budgets and cashflow statements. These documents will also be required to be submitted upon application to DLG in order to determine fiscal solvency.

13.4 Personally Identifiable Information (PII)

Personally, Identifiable Information (PII) is information that can be used to distinguish or trace individual's identities. Examples of PII include names, addresses, income verification documents, disability status, employment status, etc. which can be linked or is linkable to a specific applicant and/or beneficiary of the program. As the program receives direct applications from homeowners requesting assistance, subrecipients must keep all PII information for the duration of the project, in the system of record. If records containing PII are subject to Freedom of Information Act requests, such records shall only be released in accordance with state and federal law. PII records are only stored as long as is necessary, in accordance with record retention requirements at 2 CFR part 200.333 and 24 CFR part 570.502(a)(7).

13.5 Environmental Review

Grantees who are recipients of KCDBG funds are considered responsible entities (REs) and must complete an environmental review of all project activities prior to obligating any project funds. Under Part 58, the local chief elected or appointed official must assume the role of the Environmental Certifying Officer (ECO) or formally designate another person to do so. If the CEO designates a staff person to serve as the ECO, this designation must be made in writing and signed by the CEO and placed in the Environmental Review Record (ERR). The ECO accepts full responsibility for the completeness and accuracy of the review and compliance with applicable laws and regulations. Local officials should review the municipal liability and indemnification statutes as well as the status and coverage of local liability insurance policies when accepting responsibility under environmental laws. The responsibilities of the ECO include making findings and signing required certifications.

Refer to Chapter 2 of the CDBG-DR Subrecipient Manual for more information.

14 Definitions

AMI: The median (middle point) household income for an area adjusted for household size as published annually by HUD.

Appeal: A written request from a participant for a review and change to an unfavorable determination made by the program.

Award Notice: The written notice provided to a participant(s) to inform them regarding their zero or positive grant award calculation.

CDBG-DR: Community Development Block Grant – Disaster Recovery.

Demolition: Clearance and proper disposal of dilapidated buildings and improvements.

Disability: For the purpose of the Program, “disability” is consistent with federal law under the Social Security Act, as amended, 42 U.S.C. § 423(d), The Americans with Disabilities Act of 1990, as amended, 42 U.S.C. § 12102(1)-(3), and in accordance with HUD regulations at 24 CFR § 5.403 and 891.505.

Duplication of Benefits: Refers to the provision under the *Robert T. Stafford Disaster Assistance and Emergency Relief Act* (Stafford Act) that prohibits any person, business concern, or other entity from receiving financial assistance from federal disaster funds with respect to any part of a loss resulting from a major disaster as to which that person or entity has already received financial assistance under any other program, insurance, or another source.

Elderly: A person at least 62 years of age [24 CFR § 5.100].

Family: A household composed of two or more related persons. The term family also includes one or more eligible persons living with another person or persons who are determined to be important to their care or well-being.

Federal Register (FR): A daily publication of the U.S. federal government that issues proposed and final administrative regulations of federal agencies.

Flood Disaster Protection Act of 1973 and Sec. 582(a) of the National Flood Insurance Reform Act of 1994: Compliance with the legal requirements of Section 582(a) mandates that HUD flood disaster assistance that is made available in Special Flood Hazard Areas (SFHAs) may not be used to make a payment (including any loan assistance payment) to a person for repair, replacement or restoration for flood damage to any personal, residential or commercial property if: (1) the person had previously received federal flood disaster assistance conditioned on obtaining and maintaining flood insurance; and (2) that person failed to obtain and maintain flood insurance as required under applicable federal law on such property.

Flood Insurance: The *Flood Disaster Protection Act of 1973* (42 U.S.C § 4012a) requires that projects receiving federal assistance and located in an area identified by FEMA as being within a Special Flood Hazard Areas (SFHA) be covered by flood insurance under the *National Flood Insurance Program* (NFIP). If the community is not participating in the NFIP, federal assistance cannot be used in those areas.

Floodplain: Also known as the “Base Flood,” as defined at 44 CFR Part 59, this is the low, flat, periodically flooded lands adjacent to rivers, lakes and oceans and subject to geomorphic (land-shaping) and hydrologic (water flow) process. The 100-year floodplain is the land that is predicted to flood during a 100- year storm, which has a 1% chance of occurring in any given year. Areas within the

100-year floodplain may flood in much smaller storms as well. The 100-year floodplain is used by FEMA to administer the federal flood insurance program.

Floodway: The channel of a river or other watercourse and the adjacent land areas that must be reserved to discharge the base flood without cumulatively increasing the water surface elevation more than a designated height as defined by 44 CFR § 59.1

General Contractor: an individual or entity that is licensed in the State of Kentucky to perform residential construction services as a general contractor.

Grant Agreement and Associated Documents: All documents required by the Program for execution prior to initiating any funds disbursement or issuing a Notice to Proceed (NTP) to a construction contractor. These documents shall at a minimum include: a grant agreement, subrogation agreement, and any other document required to disburse program funding to an applicant.

Green Building Standards: All rehabilitation (meets the definition of substantial improvement), reconstruction, or new construction must meet an industry-recognized standard that has achieved certification under at least one of the following programs: (1) ENERGY STAR (Certified Homes), (2) Enterprise Green Communities, (3) LEED (New Construction, Homes, Midrise, Existing Buildings Operations and Maintenance, or Neighborhood Development), or (4) International Code Council (ICC)-700 National Green Building Standard, or other standard allowable by HUD.

Head of Household: The adult member of the family who is the head of the household for the purposes of determining income eligibility and rent. [24 CFR § 5.504]

Household: All persons occupying the same housing unit, regardless of their relationship to each other. The occupants could consist of a single family, two or more families living together, or any other group of related or unrelated persons who share living arrangements. For housing activities, the test of meeting the low-to-moderate-income objective is based on the income of the household.

HUD: United States Department of Housing and Urban Development.

HUD Housing Quality Standards: HUD's standard for decent, safe, and sanitary housing conditions as defined by 24 CFR § 982.401.

IRS 1040/Adjusted Gross Income ("AGI") Calculation Method: Citizens of the United States and resident aliens, except those with gross incomes that fall below a certain level, are required to file an income tax return with the Department of the Treasury's Internal Revenue Service (IRS) each year. The tax return is officially referred to as IRS Form 1040. The Adjusted Gross Income (AGI) is listed on the 1040 tax form and is the dollar figure used to determine an applicant's income eligibility for participation in the CDBG-DR Programs.

Limited English Proficiency (LEP): A designation for person that are unable to communicate effectively in English because their primary language is not English, and they have not developed fluency in the English language. A person with Limited English Proficiency may have difficulty speaking or reading English. An LEP person benefits from an interpreter who translates to and from the person's primary language. An LEP person may also need documents written in English translated into his or her primary language so that person can understand important documents related to health and human services.

LMI National Objective: One of three national objectives that any CDBG activity must meet. Activities that meet the LMI objective must benefit households whose total annual gross income does not exceed 80% of area median income (AMI), adjusted for family size. Income eligibility will be determined and verified in accordance with HUD Guidance. The most current income limits, published annually by HUD, shall be used to verify the income eligibility of each household applying for assistance at the time assistance is provided.

- Extremely low: Household's annual income is up to 30% of the area median family income, as determined by HUD, adjusted for family size;
 - Very Low: Household's annual income is between 31% and 50% of the area median family income, as determined by HUD, adjusted for family size; and
 - Low: Household's annual income is between 51% and 80% of the area median family income, as determined by HUD, adjusted for family size.

Manufactured Housing: A dwelling unit composed of one or more components substantially assembled in a manufacturing plant and transported to a building site. See Mobile Home and Modular Home.

Modular Home: A dwelling unit composed of two or more components substantially assembled in a manufacturing plant and transported to a building site by truck for final assemble on a permanent foundation. A modular home must be constructed in accordance with the standards established in the state and local building codes that are applicable to site-built homes. Modular homes do not include mobile homes.

Most Impacted and Distressed (MID) Areas: Areas of greatest impact from a disaster as determined by HUD or the State in making disaster funding allocations, using the best available data sources to calculate the amount of disaster damage.

New Construction: A replacement home that substantially exceeds the original footprint on the existing lot (if permitted) or the construction of a new home in a new location.

NFIP: National Flood Insurance Program. When the Program refers to NFIP in the context of eligibility or duplication of benefits, the Program is referring to private and public flood insurance programs that cover structural repairs resulting from flood damages.

Ownership: Homeowners must have had and maintained a present, freehold, possessory estate in the surface of the land.

Power of Attorney (POA): An authorization to act on someone else's behalf in a legal or business matter.

Second Home: A home that is not the primary residence of the owner, a tenant, or any occupant at the time of the storm or at the time of application for assistance. Properties that served as second homes at the time of the disaster, or following the disaster, are not eligible for rehabilitation assistance or housing incentives. HUD has established an alternative requirement for second homes that may allow assistance in limited circumstances coordinated with HUD.

Sub-recipient: A non-federal entity, unit of general local government, or a nonprofit organization in Kentucky that administers all or a portion of a CDBG-DR funded program, as memorialized in a grant agreement between the sub-recipient and DLG.

Subrogation: The process by which duplicative assistance paid to an applicant after receiving an award is remitted to the Program in order to rectify a duplication of benefit.

Subrogation Agreement: An agreement executed by the beneficiary agreeing to repay any duplicative assistance if the beneficiary later receives other disaster assistance for the same purpose as disaster recovery funds already received.

Tenant: An individual or family renting or occupying an assisted dwelling unit. [24 CFR § 5.504]

Total Household Income: The total income of all individuals over the age of 18 that are residing in a damaged property.

URA: The *Uniform Relocation and Real Property Acquisition Policies Act of 1970*, as amended (Title 49 CFR Part 24) (42 U.S.C. 4601 et. seq.) Applies to all acquisitions of real property or displacements of persons resulting from federal or federally assisted program or projects. URA's objective is to provide uniform, fair, and equitable treatment of persons whose real property is acquired or who are displaced in connection with federally funded projects. For the purposes of these guidelines, URA mostly applies to residential displacements in involuntary (49 CFR Subpart B) acquisition or multifamily damaged/occupied activities that require the relocation of the tenants.

Urgent Need National Objective: An urgent need that exists because conditions pose serious and immediate threat to health/welfare of community, the existing conditions are recent or recently became urgent and the recipient of



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funds cannot finance the activities on its own because other funding sources are not available. Subrecipients must document how each program and/or activity funded under this category responds to a disaster-related impact.