

Kentucky Housing Corporation Gap Financing Pool Guidelines

Overview

Kentucky Housing Corporation's Gap Financing Pool ("Pool") is designed to be a non-competitive and ongoing program, with nonprofits and units of local government reserving funds for eligible homebuyer and homeowner rehabilitation projects. The funds are on a first-come, first-served basis.

Funding Available

KHC will fund this pool with **\$1,750,000** for homeownership opportunities.

Eligible applicants

Organizations eligible for funding through the GAP Financing Pool include: units of local governments in Kentucky, local government housing authorities, nonprofit organizations, faith-based and community service organizations, community housing development organizations (CHDO's) and regional or statewide housing assistance organizations.

Private developers are ineligible to apply for the GAP Financing Pool.

The city of Owensboro, the merged governments of Lexington/Fayette and Louisville/Jefferson counties and the consortia consisting of the cities of Covington, Ludlow, Bromley, Newport, Bellevue and Dayton receive a direct allocation of HOME funds from HUD. Projects within these areas are *not* eligible to receive state HOME funds for homeownership initiatives; however, you are eligible to receive AHTF.

Eligible activities

The following project activities are eligible for funding:

Homebuyer Programs

New construction or acquisition/rehabilitation/resale that involves one or more of the following activities:

- Site development
- Land acquisition
- Construction financing
- Rehabilitation and resale
- Permanent financing, when combined with new construction or acquisition/rehabilitation/resale activity

Homeowner Rehabilitation Programs

Owner-occupied rehabilitation that involves one or more of the following activities:

- Moderate Rehabilitation – rehabilitation costs between \$10,000 to \$25,000 per unit
- Substantial Rehabilitation – rehabilitation cost over \$25,000 per unit
- Demolition and Rebuild

- To be eligible, rehabilitation projects must address a minimum code violation per unit of \$1,000 for HOME assisted units and \$100 for AHTF assisted units.

Projects requiring less than \$10,000 from KHC should apply through the House-Works Repair Program.

*Applicants to the Pool may **not** have a current homeownership project open for the same activity for which they are applying.*

Eligible households

All program beneficiaries must be Kentucky residents. Assistance from the GAP Financing Pool may be provided to households with gross incomes up to 80 percent of the area median income (AMI), following the Section 8 method of income determination for the county in which the household resides. Proof of ownership is required for homeowner rehabilitation.

HUD's income limits are typically updated each spring. Before submitting your application, please verify that you are using the most recent income limits for Kentucky. A web link to the current income limits can be found in the HOME Reference Materials on Kentucky Housing Corporation's website at: www.kyhousing.org.

Maximum subsidy per unit

For all applicants, following is the maximum assistance allowed per unit:

- Eligible homebuyers can receive up to **\$40,000** to help them acquire a home.
- Eligible homeowners can receive up to **\$60,000** in rehabilitation assistance.

The purchase price limits cannot exceed \$150,000.

Terms of affordability:

- A ten-year deed restriction which requires principal residency and maximum income levels.

Inspection Policy

At a minimum, KHC will inspect 20 percent of the total units in the project. The program representative/specialist will determine whether the unit is subject to inspection by KHC. Each program representative/specialist will contact the applicant to inform him or her of the units that will be inspected. If warranted, KHC may require fewer, or additional, inspections.

The units selected for inspection will be inspected a minimum of three times each. For new construction and rehabilitation/reconstruction, these inspections will be at the following stages:

- Footer
- Interim – any time between completion of wall insulation and hanging of drywall
- Completion

**Note: The inspection stages and percentage of work completed may not directly correspond to the percentage of KHC funds that may be requested.*

KHC inspectors or program representatives/specialists have the authority to approve unequal draws if appropriate.

Units selected for inspection must have a representative from the applicant agency attend each inspection and bring a copy of the draw form. Once the KHC inspector has approved the construction activity and signed the draw request form, it may be submitted for processing

Plans and Specifications

Plans and specifications submitted for review must meet the following requirements (in addition to Kentucky Residential Building Code (KRBC), Universal Design and/or Minimum Design, when applicable.)

PLANS

- 1) Foundation Plan @ 1/4" Scale; include all porches, decks, carports, driveways.
- 2) Floor Plan
 - a) @ 1/4" Scale;
 - b) Include window and door locations and dimensions.
 - c) Indicate whether dimensions are from stud to stud, or center to center, or finish wall to finish wall.
 - d) Include dimensions of bath vanity.
 - e) Include dimensions for hallways over 24" and longer in length,
 - f) Include bathroom dimensions for Universal Design compliance.
- 3) Wall Section from bottom of footer up to and including roof @ 1/2" scale. Include details on porch roofs, and supporting structure.
- 4) Porch and Deck details/ sections @ 1/2" scale. Include details on structural supports, floor joists, headers, girders, guard rails, hand rails
- 5) Elevations of front, sides and rear @ 1/4" scale.
- 6) Site plan (if site specific) @ 1" = 40' minimum.

SPECIFICATIONS

Please submit a complete set of building and site specifications for each home or if you are using a master set of specifications you may submit those. The specifications at a minimum must address every applicable item outlined in the HUD 92005 "Description of Materials" which can be found at:

http://www.hudclips.org/sub_nonhud/cgi/nph-brs.cgi?d=FRMS&S1=HUD-92005&op1=AND&l=100&SECT1=TXTHL&SECT5=FRMS&p=1&r=2&u=./html/forms.htm&f=G

You may use the HUD 92005, the KHC sample specifications, a CSI format, or a format of your own choosing.

Please make sure you have a copy of the plans and specifications on each build site.

Use of KHC funds requires additional compliance as follows:

- Universal Design: (if utilizing 50% or more of KHC funds during construction of homeownership units).

- Minimum Design: (if utilizing 10% or more of KHC funds during construction of homeownership units).

Rehabilitation assistance may be used for rehab work necessary to correct incipient as well as existing violations of the Kentucky Residential Code. An incipient violation exists if, at the time of inspection, it is thought that the physical condition of any element in the house will deteriorate into an actual violation during the term of affordability

All new construction and rehabilitation/reconstruction plans and specifications must be approved by KHC. Also, they shall comply with the 2007 Kentucky Residential Code.

Additional Program Guidelines

- An eligible organization becomes a “Member” of the Pool by completing a **Pool Membership Application**.
- Membership is ongoing and contingent on performance. KHC reserves the right to revoke membership at any time based on inadequate performance.
- If at any time there is no activity for 12 consecutive months, membership will be cancelled.
- Members may have no more than two (2) projects open in the Pool at any time. For the purposes of this program, “open” is defined as funds reserved and unexpended. “Closed” is defined as funds expended and a Project Completion report submitted and approved by KHC staff.
- Members may not assist more than six (6) households per year through the Pool. For the purposes of this program, a year is July 1st to June 30th of the next year.
- Funds may be reserved for 180 days. At the end of 180 days, the funds will automatically be returned to the Pool. Projects not completed within 180 days will count toward the maximum of six (6) units per year for that member.
- Funds may be used to pay for administrative fees:

KHC will allocate an additional 5% of the total funds request. These funds can be drawn at the time of project completion. i.e,

- **HOME**- \$40,000 project costs, plus \$2,000 administrative fees for a total of \$42,000
 - **AHTF**- \$40,000 project cost of which \$2,000 can be administrative fees
- A copy of the Plans/Specification and/or Work write-ups on all units *must be attached to the application.*
 - Pool funds cannot be used to pay for developer fee.