

**LOUISVILLE METRO AFFORDABLE HOUSING TRUST FUND**

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**2014 HOMEbuyer Program  
APPLICATION GUIDELINES AND  
PROGRAM POLICIES**



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## **Chapter 1: Purpose of the Louisville Affordable Housing Trust Fund**

The Louisville Metro Affordable Housing Trust Fund (LAHTF) was established by a bipartisan act of Metro Council in 2008 as an initiative for Metro Council to invest public funds in the kind of housing our community needs: for people on fixed incomes like seniors and people with serious disabilities; for young families starting out; for veterans; and for working people whose wages are not enough to live in Metro Louisville. Louisville Metro County Ordinance 40.41- 45 allowed for the creation of the Louisville Affordable Housing Trust Fund as a private nonprofit agency authorized to receive and disburse monies to organizations dedicated to addressing the need for safe affordable homes in Louisville.

**Who Will Benefit from the LAHTF?** - The whole city benefits when everyone has stable, decent housing, including: businesses that require a stable workforce and workforce housing; neighborhoods that have been devastated by the vacant property crisis; working families that need decent affordable homes and basic economic security; and the community as a whole, due to the positive economic impact of the LAHTF and reduced crisis-care and nuisance abatement expenses related to unaffordable housing.

The Louisville Metro Affordable Housing Trust Fund directs its resources to affordable housing developers and service providers to promote, produce, and preserve housing for working families and low-income households who need housing that is affordable; they are the real beneficiaries of the Trust Fund. Eligible applicants for the funding will include non-profit or for-profit housing developers, public housing authorities, and housing and homeless service providers. Funds will be awarded through a competitive application process.

By ordinance, at least half of any public funds supporting the LAHTF must serve households at or below 50% of the area median income (\$22,300 for an individual). The remaining funds are to serve households earning no more than 80% of median income (\$35,700 for an individual).

**Who Makes Decisions about the LAHTF?** - The Louisville Metro Affordable Housing Trust Fund is governed by a 13-member Board representative of the community, appointed by the Mayor and approved by Metro Council. Board Membership can be found at [http://services.louisvilleky.gov/media/lahtf/board\\_directors.pdf](http://services.louisvilleky.gov/media/lahtf/board_directors.pdf).

**Where Did the LAHTF HOMEbuyer Program Funds Come From?** - Created by the National Affordable Housing Act of 1990, the HOME Investment Partnerships (HOME) Program provides funding for various types of affordable housing production and rehabilitation. HOME is the largest federal block grant program designed exclusively to create affordable housing for low-income households.

The LAHTF received a \$1 million HOME award from Louisville Metro Government in FY 2013-14 under the federal HOME Investment Partnerships Program. The funds are now being made available to the LAHTF as of November 2014. The LAHTF will in turn make funds available to

nonprofit and for-profit developers of single family homes, for homebuyer activities including down payment/closing costs for low-income, first-time homebuyers and Development subsidy grants when needed.

**How Are the LAHTF HOMEbuyer Funds To Be Spent?** - The LAHTF HOMEbuyer Program is designed to be flexible and respond to evolving community needs by providing forgivable loans that make homeownership affordable for low-income families and individuals. Homebuyer activities include down payment/closing costs and Development subsidy where total development costs exceeds the appraisal on the homes chosen by assisted low-income, first time homebuyers. Currently the LAHTF is prioritizing rehabilitation of vacant and abandoned properties for affordable housing re-use.

Developers' responsibilities under the LAHTF HOMEbuyer Program include: housing counseling, loan packaging under LAHTF HOMEbuyer regulations, development of affordable homes in compliance with HOME regulations, and assisting qualified low-income homebuyers in obtaining a first mortgage.

## **Chapter 2: Introduction to Competitive Funding Process**

The Louisville Affordable Housing Trust Fund (LAHTF HOMEbuyer Program) is pleased to offer a transparent, competitive funding process to affordable-housing developers, builders, and organizations across Louisville-Jefferson County. The primary goals of the competitive funding process are to ensure that the most viable projects are funded and to enhance Louisville's capacity to create and preserve affordable housing.

This guide instructs applicants how to apply for funding available through the LAHTF HOMEbuyer Program competitive application process for homeownership production projects. This guide further explains program criteria and basic requirements, application expectations, and review processes.

Scoring priorities are set by the LAHTF Board of Directors. In general, LAHTF will review its needs assessment and allocate available funding resources to housing activities demonstrating the greatest need, by funding developers with sufficient capacity.

**Funding Use** - Funds may only be used on eligible affordable housing projects located in Louisville-Jefferson County. If funded, projects will be governed by the cumulative information contained in these guidelines, conditional commitment agreement and the implementation manual, as well as any applicable federal, state, and local requirements.

Recipients of funds will be expected to be familiar with and adhere to the guidelines and project design requirements described in this document and LAHTF HOMEbuyer Program application documents.

All of the LAHTF HOMEbuyer funds will be used to assist low income homebuyers, which is defined as 80% or below Area Median Income. At least 50% of the LAHTF HOMEbuyer funds will be used to assist very-low income homebuyers, which is defined as 50% or below Area Median Income.

**Funding Availability** - The LAHTF HOMEbuyer Program has made available approximately \$963,000 for eligible projects located in Louisville-Jefferson County.

**Funding Limits** - LAHTF HOMEbuyer Program further limits the amount of funds an applicant may request to \$500,000. LAHTF may, at its discretion, award funds to projects at a lesser amount than requested with proportional reductions in number of units, time frame and amount of leverage and match.

**Tie-Breaker** - In the event that two projects submitted through the competitive funding process receive the same score and funds are insufficient to fund both projects, several “tie-breaking” factors will be considered, including (in order of consideration):

- Developer Experience and Fiscal Soundness Score
- Readiness to Proceed Score
- Income Levels Served Score
- Project Leverage and Match Score

### **Chapter 3: Application Submission Requirements and Scoring Criteria**

**Application Thresholds** - Applications will be reviewed and scored as submitted. Eligible applicants must meet the following thresholds:

- Proposed project must provide leverage of *at least* 4:1;
- Proposed project must provide at least 10% HOME eligible and documented match;
- Applicant must propose eligible project type; and
- Proposed project must receive a score of at least 70 points.

**Application Submission Process** - All applicants are required to submit a complete application to LAHTF for the HOMEbuyer Program. Any application that is missing one or more of the required documents will be considered incomplete and will not be reviewed.

The application focuses on the overall concept of the proposed project, as well as: project design, income groups to be served, site information, readiness to proceed, capacity to undertake the project, projected budget, and amount of the funding request. Formal submissions must include all required attachments.

**Match and Leverage Requirements** - All applicants must demonstrate projects with leverage of at least 4:1 in order to be considered for funding. Leverage funds include all federal dollars, loaned funds, donated materials, volunteer labor, property donation or below-market rate sale, waived fees and taxes, and owner cash contributions. Leverage should include all construction and permanent financing.

All applicants must demonstrate HOME eligible match of at least 10% for their project to be considered for funding. Additional information on HOME eligible match can be found at [http://www.ecfr.gov/cgi-bin/text-idx?SID=1a03937c5befaf2e51e9e53410f1efff&node=se24.1.92\\_1220&rgn=div8](http://www.ecfr.gov/cgi-bin/text-idx?SID=1a03937c5befaf2e51e9e53410f1efff&node=se24.1.92_1220&rgn=div8).

**Application Evaluation Criteria** - The selection of the projects to be funded by the LAHTF HOMEbuyer Program will be determined by the order of their total overall score and ranking, with the highest ranking applications funded first. Scoring is based on a 100 point scale, with the option of 5 bonus points.

Applicants with significant experience, that propose 100% completion within 6-12 months, rehabilitation of vacant and abandoned properties, and a majority of homebuyers served being very-low income homebuyers, will be prioritized for funding considerations. LAHTF HOMEbuyer Program may, at its discretion, request information from applicants to address and resolve issues identified during application review. The application will be scored as submitted and supplemental information provided for clarity will not be considered for scoring purposes.

Applications for 2014 LAHTF HOMEbuyer Program received through LAHTF HOMEbuyer Program’s competitive funding process will be evaluated on the following criteria:

**2014 LAHTF HOMEbuyer Program -SCORING CRITERIA/STRATEGIC PRIORITIES**

	<i>Maximum Points</i>	<i>Points Scored</i>
<i>Criteria - Scoring priorities are set by the LAHTF Board of Directors.</i>		
<p><b>LAHTF HOMEbuyer completion schedule</b></p> <ul style="list-style-type: none"> <li>• Applicant proposes 100% project setup completed in 6 months/100% of project completed within 12 months (15 pts)</li> <li>• Applicant proposes 100% project setup completed in 9 months/100% of project completed within 12 months (10 pts)</li> </ul>	15	
<p><b>Proposed and secured funding sources (cumulative)</b>  <b>Secured funding sources (3 pts max)</b></p> <ul style="list-style-type: none"> <li>• Applicant has secured commitment for at least 75% of named leverage funding sources (3 pts)</li> <li>• Applicant has secured commitment for at least 50% of named leverage funding sources (1 pt)</li> </ul>	15	

<p><b>Leverage ratio (6 pts max)</b></p> <ul style="list-style-type: none"> <li>• Applicant is leveraging is 6:1 or higher (6 pts)</li> <li>• Applicant is leveraging is 4:1 or higher (2 pts)</li> </ul> <p><b>Match (6 pts max)</b></p> <ul style="list-style-type: none"> <li>• Applicant is providing documented eligible match of 15% or higher (6 pts)</li> <li>• Applicant is providing documented eligible match of 10% of higher (3 pts)</li> </ul>		
<p><b>Readiness to proceed (cumulative)</b></p> <p><b>Site control (5 pts max)</b></p> <ul style="list-style-type: none"> <li>• Applicant has site control on 100% of units (options, contract or deed) (5 pts)</li> <li>• Applicant has site control on 75% of units (options, contract, or deed) (3 pts)</li> <li>• Applicant has site control on 50% of units (options, contract, or deed) (2 pts)</li> </ul> <p><b>Waiting list of qualified homebuyers (10 pts max)</b></p> <ul style="list-style-type: none"> <li>• Applicant has provided documentation of a waiting list of 150% for proposed units of pre-qualified homebuyers interested in proposed homes (10 pts)</li> <li>• Applicant has provided documentation of a waiting list of 100% for proposed units of pre-qualified homebuyers interested in proposed homes (7 pts)</li> <li>• Applicant has provided documentation of a waiting list of 75% for proposed units of pre-qualified homebuyers interested in proposed homes (5 pts)</li> </ul>	15	
<p><b>Community planning &amp; impact (cumulative)</b></p> <ul style="list-style-type: none"> <li>• Project proposes at least 50% of units to consist of rehabilitation of vacant and abandoned buildings (4 pts)</li> <li>• Project proposes that a majority of units will be located in areas that are <i>not</i> “qualified census tracts” as specified by the national Low Income Housing Tax Credit program (2 pts)</li> <li>• Project addresses the priorities established by the LAHTF Needs Assessment and is consistent with a Metro Council adopted neighborhood plan or Metro commissioned planning study (2 pts)</li> <li>• Project incorporates green building techniques (2 pts)</li> <li>• UP TO 5 BONUS POINTS: Points awarded on the percentage of homes that meet at least one of these standards: Energy Star Homes 3.0, BPI Standards or HERRS Rating of 70 or lower.</li> </ul>	10 + 5 bonus	
<p><b>Commitment to serve lowest income</b></p> <p>Applicant has reasonable plan to assist homebuyers and:</p> <ul style="list-style-type: none"> <li>• More than 50% of units are affordable to households at or below 50% AMI (20 pts)</li> <li>• Between 49%-35% of units are affordable to households at or below 50% AMI (10 pts)</li> </ul>	20	

<b>Developer experience and fiscal soundness of project (cumulative)</b> <ul style="list-style-type: none"> <li>• Applicant has a successful record of affordable housing projects of similar size and scope, including successful compliance with similar funding (15 pts)</li> <li>• Project documentation is fiscally sound, including detailed and reasonable work plan, budget, construction cost estimates, building plans, and specifications. (10 pts)</li> </ul>	25	
<b>TOTAL</b>	<b>100 + 5 bonus</b>	

### **Chapter 4: Eligible Applicants**

All applicants for LAHTF HOMEbuyer Program funds must be in good standing with the KY Secretary of State’s office, Louisville Metro Revenue Commission and Louisville Human Relations Commission. Organizations eligible to apply for LAHTF HOMEbuyer Program include: certified Community Housing Development Organizations (CHDOs), nonprofit organizations, for-profit developers, faith-based and non-faith-based community service organizations, local governments, and local government housing authorities.

### **Chapter 5: Eligible Project Types**

The LAHTF HOMEbuyer Program will only fund projects that assist low-income, first-time homebuyers. All homes must be affordable to the homebuyer. “Affordable” is defined as the cost of housing plus utilities is equal to or less than 30% of the gross household income. The maximum amount awarded to any one applicant is \$500,000.

#### **The following project types are eligible for funding:**

- Acquisition, rehabilitation, and re-sale of existing vacant/abandoned/foreclosed properties for residential use.
- New construction of single family housing.

#### **Funding is available for:**

1. Down payment assistance needed for qualified homebuyers in the amount needed for the gap between first mortgage, other grants/principal reduction sources and appraised value.
2. Closing cost assistance.
3. Development subsidy on homes chosen by approved homebuyers receiving down payment and/or closing cost assistance. Development subsidy is allowed in areas where the appraisals are lower than the total development costs required to meet the program construction standards. The development subsidy is defined as the difference between approved total development costs and appraised value.

4. Eligible soft costs relating to the completion of homes receiving down payment/closing costs assistance and, when needed, development subsidy. Additional information on eligible soft costs can be found at [http://www.ecfr.gov/cgi-bin/text-idx?SID=13329708ec47b6f530c8f05c22b8e1bb&node=se24.1.92\\_1206&rgn=div8](http://www.ecfr.gov/cgi-bin/text-idx?SID=13329708ec47b6f530c8f05c22b8e1bb&node=se24.1.92_1206&rgn=div8).

**Income Level Requirements** - Funds under this program may be used for the acquisition, rehabilitation and/or new construction of homeownership units that must be sold to households earning incomes at or below 80% of Area Median Income (AMI), as delineated by HUD each year. All income and assets must be third-party verified when possible. The income of the household includes all household income and the actual or imputed income from assets of all the household members. Additional information can be found at <https://www.hudexchange.info/resources/documents/HOMEGuideForIncomeAndAllowances.pdf>.

Income and asset verifications are valid for 180 days prior to execution of a written agreement. If more than 180 days elapses after the verifications are completed, but before the LAHTF HOMEbuyer Program legal documents are executed, the applicant must re-verify all household income and assets.

The current income limits for the Louisville/Jefferson County are as follows:

**HOME Program Income Limits**

Household Size (persons)	50% AMI	65% AMI	80% AMI
1	\$22,300	\$28,990	\$35,700
2	\$25,500	\$33,150	\$40,800
3	\$28,700	\$37,310	\$45,900
4	\$31,850	\$41,405	\$50,950
5	\$34,400	\$44,720	\$55,050
6	\$36,950	\$48,035	\$59,150

\* Income limits are updated annually and can be found at <http://www.huduser.org/portal/datasets/il/il14/index.html>.

**Maximum Allowable Sales Price** - Units rehabilitated or constructed with HOME assistance must be sold at prices not exceeding current HUD homeownership value limits listed below. Please note the purchase price is the contract purchase price and does not include settlement charges.

## Home Purchase Price or After-Rehab Value Limits

Unit Type	Existing Homes HOME Purchase Price Limit	New Homes HOME Purchase Price Limit
1 Family	\$138,000	\$195,000
2 Family	\$176,000	\$249,000
3 Family	\$213,000	\$302,000
4 Family	\$264,000	\$374,000

Effective 1/01/2014 Source: HUD Homeownership Value Limits -

<https://www.hudexchange.info/resource/2312/home-maximum-purchase-price-after-rehab-value/>.

Cost effectiveness must be considered. LAHTF HOMEbuyer Program will require and review work write-ups, contractor bids, cost estimates for all projects requiring development subsidy to ensure cost reasonableness and reserve the right to reduce funding on projects LAHTF HOMEbuyer Program deems not to be cost reasonable. LAHTF HOMEbuyer Program may also require additional supporting documentation for any activity that appears to have unusual or elevated development costs.

**Maximum HOME Amount Including Both Development Subsidy and Down Payment/Closing Costs Per Home-** Each homebuyer will be underwritten and the home evaluated, creating loans specific to the homebuyer. LAHTF will limit the amount of HOME investment to make the home affordable based on the underwritten standards and not to exceed the below amounts for the maximum overall subsidy per home. LAHTF predicts the average HOME investment to be \$44,000 per home.

\$80,000 – 50% AMI and below

\$65,000 – 50-65% AMI

\$50,000 – 65-80% AMI

**Period of Affordability** - A five, ten or fifteen-year affordability period is required and is reflected in the promissory note and mortgage which requires principal residency during the affordability period.

5 year affordability period - \$14,999 or less of down payment/closing cost assistance

10 year affordability period - \$15,000-\$40,000 of down payment/closing cost assistance

15 year affordability period – over \$40,000 of down payment/closing cost assistance

### Sample HOMEbuyer Project Costs and Permanent Financing

Home Acquisition Costs	\$75,000
<u>Rehabilitation Costs</u>	<u>\$50,000</u>
Total Development Costs	\$125,000
Appraised Value	\$100,000
Development subsidy needed from LAHTF HOMEbuyer Program	\$25,000
1st Mortgage – Local Bank	\$70,000
<u>2nd Mortgage - LAHTF HOMEbuyer forgivable loan</u>	<u>\$30,000</u>
Total Mortgage Financing	\$100,000
Closing Costs – secured by note to homebuyer	\$2,000
Eligible Soft Costs to applicant/developer – grant	\$2,500-\$5,000

### **Chapter 6: Structure of LAHTF HOMEbuyer Program Forgivable Loan and Grant**

The LAHTF HOMEbuyer Program funds will be structured as an amortized forgivable loan to the homebuyers to cover the affordability period, and a grant to the developer when development subsidy and/or soft cost are needed.

**Underwriting** - Each homebuyer application will be underwritten based on the policies below. The packager will submit applications that meet the underwriting policies below and make recommendations for specific amounts that comply with the acceptable ranges. The recommendations will be explained in a loan narrative provided with project set-up that explains the recommendations, including estimated utility costs and impact on overall ratios.

LAHTF requires all homes assisted with their funding to be affordable. “Affordable” is defined as the cost of housing plus utilities being less than or equal to 30% of the gross household income. The range for Housing Loan Ratio and Total Debt to Income Ratio provide the flexibility to meet this goal. The packager will make a reasonable estimate on utility costs based on the size and energy efficiency level of the home.

#### **Principal, Interest, Taxes and Insurance (PITI)/Gross Income = Housing Loan Ratio**

50% AMI and below – 20-24% PITI

51-65% AMI – 22-26% PITI

66-80% AMI – 24-28% PITI

**Total Debt (PITI + all installment debts with more than 6 months remaining)/Gross Income =  
Total Debt to Income Ratio**

50% AMI and below – 39%

51-65% AMI – 41%

66-80% AMI – 43%

**Sample loan design for homebuyer (continued from above example)**

Household gross monthly income (2 people @ \$25,000 annual gross)	\$2,083
- Household is below 50% AMI: max total HOME \$80,000	
- Maximum PITI for below 50% AMI: 24%	\$500
- Maximum housing expenses including utilities (30% of gross income)	\$625
	Monthly Payments
1 <sup>st</sup> Mortgage – \$70,000 from local bank for 30 yr. @ 4.5% fixed	\$355
Taxes and Insurance Escrow	\$145
Monthly Utility Estimate	\$125
<u>2<sup>nd</sup> LAHTF HOMEbuyer Forgivable Loan - \$30,000 for 10 years @ 0%</u>	<u>\$-0-</u>
Total Monthly Housing Expense = 30% of monthly gross income	\$625

**Credit** - All home buyers must qualify for a first mortgage product and their respective credit standards. LAHTF will review credit both in terms of a credit report, but also nontraditional or alternative credit, when needed for those applicants with no or limited credit. Typically LAHTF will not provide assistance to applicants with credit scores under 620 without an explanation for the lower score, which may include but are not limited to: medical bills, previous loss of income, illness, death in the household or divorce, and low scores due to lack of credit.

**Home Buyer Counseling** - LAHTF HOMEbuyer Program requires pre-purchase home buyer counseling for prospective households/clients by a HUD-approved counseling agency.

**Chapter 7: Construction Management**

All homes must comply with applicable local building codes, Metro Louisville’s Rehab Standards, Uniform Physical Condition Standards (UPCS), Lead-Safe Housing codes (both HUD and EPA) and Energy Star Building Practices. Scoring points will be given to projects that incorporate green building techniques (listed at end of application). Bonus points will be awarded for projects that meet at least one of these standards: Energy Star Homes 3.0, BPI Standards or HERRS Rating of 70 or lower.

LAHTF will review plans and specifications prior to the HOME commitment for each home. Building permits, when required by code, will be a part of the initial set-up package. If construction draws are requested, LAHTF will inspect for both percentage of completion and compliance with plans and specs and will reimburse 80% of construction completed.

Construction management will include compliance with all HOME regulations listed in Application Program and Administrative Certification.

If the project proposes demolition and reconstruction, all dilapidated structures on the property must be demolished. In the case of mobile home replacement, the dilapidated mobile home must be demolished or salvaged (a salvage title must be obtained) and the salvage value should be reinvested into the new unit. For all demolition and reconstruction projects, a demolition agreement must be executed with the property owner.

**Homeowner Warranty Requirement** - Developers must provide a warranty on the home for a minimum of one year.

**Procurement** - Applicants must develop construction management and procurement procedures that outline contract provisions, for the contractor and subcontractors, payment requests, forms to be completed, inspection procedures, and project completion procedures. Every effort must be made to ensure that the bidding is fair and open. Procurement policies need to be in compliance with 24 CFR 84.36 (<http://portal.hud.gov/hudportal/documents/huddoc?id=24cfr85-36proc.pdf>).

**Construction Variances, Notification of Construction Start Date and Records Retention** - All variances from the approved construction plan must be submitted to and approved by LAHTF. Applicants must notify LAHTF at least two weeks prior to the start of construction. Applicants must maintain construction documentation in their project files for five years.

**Environmental Review** - Louisville Metro Government has completed the general environmental review for HOMEbuyer activities. Applicants are responsible for compiling documents for the needed site specific environmental review. These will be included in the project set-up package which must be approved prior to commitment of HOME funds. LAHTF HOMEbuyer funds cannot be used for any property which has been purchased since October 1, 2014, which did not have an approved site specific environmental review prior to purchase.

**Plans and Specifications** - Plans and specifications for homes that are ready to proceed should be included in the application. Plans and specification submitted with application will be reviewed and considered in the scoring of the Developer's Experience and Fiscal Soundness. Plans and specifications submitted for review must meet the following requirements: local building codes, Metro Louisville's Rehab Standards, Uniform Physical Condition Standards (UPCS), Lead-Safe Housing codes (both HUD and EPA), and Energy Star Building Practices.

All new construction and rehabilitation/reconstruction plans and specifications must be independently certified to meet all applicable codes and approved by LAHTF.

## Plans

- 1) Foundation plan @ ¼" scale; include all porches, decks, carports, driveways.
- 2) Floor plan
  - a) @ ¼" 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 units designed for accessibility.
- 3) Wall section from bottom of footer up to and including roof @ ½" scale. Include details on porch roofs, and supporting structure.
- 4) Porch and deck details/ sections @ ½" scale. Include details on structural supports, floor joists, headers, girders, guard rails, hand rails.
- 5) Elevations of front, sides and rear @ ¼" scale.
- 6) Site plan (if site specific) @ 1" = 40' minimum.

**Specifications** - A complete set of building and site specifications for each home or if you are using a master set of specifications must be submitted with project set-up. 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](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 or a format of your own choosing.

**Inspection Policy** - Developers of LAHTF HOMEbuyer Program funds are required to have 100% of their units inspected by a qualified inspector for code compliance at recipient's cost. LAHTF and/or Metro Louisville will inspect at each draw and completion. LAHTF and/or Metro Louisville reserve the right to inspect prior to start of construction and at any stage of construction.

If inspections are not required by local building officials and draws are not requested, LAHTF will require at a minimum an initial and final inspection. Additional inspections may be required which will be determined at project set-up. Applicants are responsible for the cost of inspections and building permits. These costs are eligible for reimbursement as soft costs for the project.

**Project Completion Policy** - All projects are *expected to* reach full completion within 12 months and *required to* reach full completion within 18 months from conditional commitment by LAHTF. The project must also reach interim progress goals outlined in the LAHTF HOMEbuyer Conditional Commitment Agreement. These interim progress goals will be based on the

applicants' application. If interim progress goals and completion deadlines are not met, LAHTF has the option of reallocating all or a portion of funds awarded.

## **Chapter 8: Additional Policies**

LAHTF HOMEBuyer Program's policies are included throughout these guidelines. Upon announcement of funding awards, LAHTF will provide a Conditional Commitment Agreement and Implementation Manual which will further detail the policies and procedures for the LAHTF HOMEbuyer Program. Below are additional policies for the LAHTF HOMEbuyer Program RFP Guidelines.

- No applicant will be allowed to change the **type of activity** for which they were funded.
- Applicants are responsible for retaining **legal counsel**, at its cost, on any legal matter pertaining to the administration of the project, when necessary.
- Each recipient of LAHTF HOMEbuyer Program funds will be required to make available all documentation requested by LAHTF HOMEbuyer Program for **compliance monitoring**.
- Applicants are responsible for ensuring that the required **financial records are maintained** for all federally-assisted projects for five years after the completion of the project. LAHTF will maintain all Notes and Mortgages for five years after the end of the affordability period. Each applicant is responsible for maintaining applicable federal compliance.
- LAHTF reserves the right to withdraw its **conditional funding commitment** if technical submission items are not submitted by the applicant by the date referenced in the commitment letter.
- LAHTF may **recapture** funds if the applicant has not met the commitment and expenditure deadlines as referenced in the funding agreement or if it is determined that the project is no longer feasible. However, LAHTF reserves the right to extend the date if extenuating circumstances prevented the commitment.
- LAHTF requires that applicants have all funds committed, funds expended, permanent financing closed, and project completion report submitted and approved within 18 months. "Commitment" means that the applicant must have a signed purchase contract with the builder/contractor and homeowner, project set-up is approved, and homebuyer has pre-approval for first mortgage financing. "Expended" means that the applicant has completed construction and submitted draws based on reimbursement for eligible costs. "Permanent financing closed" means that the homebuyer has closed on all permanent financing including the LAHTF HOMEbuyer mortgage and note. "Project Completion Report

submitted and approved” means that all draws have been processed and final reports per home have been submitted and approved.

- Applicants must disclose in writing all real, potential, or perceived **conflicts of interest** to LAHTF as outlined in HOME Final Rule 92.356 ([http://www.ecfr.gov/cgi-bin/text-idx?SID=f2c04706a5669a916d3e6b7eb2018dd5&node=se24.1.92\\_1356&rgn=div8](http://www.ecfr.gov/cgi-bin/text-idx?SID=f2c04706a5669a916d3e6b7eb2018dd5&node=se24.1.92_1356&rgn=div8)), as applicable, regarding the receipt of, assistance provided with, or expenditure of LAHTF HOMEbuyer Program funds. All conflicts of interest must be disclosed and resolved prior to providing LAHTF HOMEbuyer program assistance to the household.
- All projects that receive HOME funds must comply with the requirements of the **Uniform Relocation Act**. The Uniform Relocation Act, passed by Congress in 1970, is a federal law that establishes minimum standards for federally funded programs and projects that require the acquisition of real property (real estate) that displaces persons from their homes, businesses, or farms. The Uniform Act's protections and assistance apply to the acquisition, rehabilitation, or demolition of real property for federal or federally funded projects. LAHTF HOMEbuyer has not allocated funds for relocation costs, so acquisition of properties that require relocation are not eligible under this program. For more information [http://portal.hud.gov/hudportal/HUD?src=/program\\_offices/comm\\_planning/affordablehousing/training/web/relocation/overview](http://portal.hud.gov/hudportal/HUD?src=/program_offices/comm_planning/affordablehousing/training/web/relocation/overview).
- **HOME Units Not Sold within 9 Months of Completion will Convert to Rental -** The HOME Program now requires that if all homeownership units do not sell within nine months of receiving a certificate of occupancy, that these units will be converted to long-term HOME rental units. This means the developer/owner or its partners will become landlords and managers of a unit that will have to remain compliant and monitored for 5-20 years. If your project receives HOME funding, it is critical that the architectural design of these units meets market demand and that pre-sales are actively pursued with professional marketing.
- **Annual Recertification of Homebuyer** – LAHTF Loan Servicing must annually recertify homebuyers by receiving (1) Insurance with LAHTF as loss payee, (2) Affidavit of primary residency, (3) Verification that property taxes are paid and that there are no property liens.

## **Chapter 9: How to Apply**

Any applicant interested in applying for LAHTF HOMEbuyer Program funds should submit an application for consideration.

**Technical Assistance** - Prior to submission of an application, LAHTF is available for technical assistance and feedback with potential applicants. When requested, a technical assistance review of applications submitted by Nov. 19, 2014 will be provided. However, this in no way ensures a successful application.

Technical assistance conference call/webinar(s) will be provided on November 17 and/or 18, 2014 to review loan packaging, construction management and compliance requirements. Details will be announced on LAHTF webpage.

**Application Preparation and Fee** - There is a \$50 application fee for non-profit organizations and a \$100 application fee for for-profit applicants. LAHTF must receive the application and required attachments electronically at [program@louisvilleahtf.org](mailto:program@louisvilleahtf.org). In addition, the appropriate application fee must be delivered to:

Louisville Affordable Housing Trust Fund  
1469 South Fourth Street, Third Floor  
Louisville, KY 40208

**Application Deadline** - Application must be submitted electronically to LAHTF at [program@louisvilleahtf.org](mailto:program@louisvilleahtf.org) by 5 p.m. EST on Friday, December 5, 2014. No hard copies are required or accepted. The application fee must be delivered to the LAHTF by 5 p.m. EST on Friday, December 5, 2014.

**Applicant Notification** - Applications will be reviewed and ranked by LAHTF within 30 days from receipt. After the application review is complete, a letter will be sent to the applicant indicating one of the following:

- The application received a sufficient score to be selected for funding. The applicant is instructed to begin the technical submission process as outlined in the Conditional Commitment Agreement; or
- The application did not receive a sufficient score to be selected for funding.

#### **Start-Up Conference**

A start-up conference will be held with the successful applicants to review all requirements of the program and sign a conditional commitment agreement to proceed. **For more information and assistance** please call (859)985-9526 or email [program@louisvilleahtf.org](mailto:program@louisvilleahtf.org).

#### **LOUISVILLE METRO AFFORDABLE HOUSING TRUST FUND**

1469 South Fourth Street, Third Floor, Louisville, KY  
40208 <http://louisvilleky.gov/government/housing-community-development/louisville-affordable-housing-trust-fund>  
(502) 637-5372