

**HOME INVESTMENT PARTNERSHIPS PROGRAM  
CHDO AGREEMENT BETWEEN  
LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT  
AND  
THE FAYETTE COUNTY LOCAL DEVELOPMENT CORPORATION**

**THIS AGREEMENT**, made and entered into on this 31 day of May 2018, by and between the **LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT**, an urban county government pursuant to KRS Chapter 67A, and located at 200 East Main Street, Lexington, Fayette County, Kentucky 40507 (hereinafter referred to as "GOVERNMENT"), and the **FAYETTE COUNTY LOCAL DEVELOPMENT CORPORATION**, a non-stock, nonprofit Kentucky corporation, organized pursuant to KRS Chapter 273, that has been identified as a Community Housing Development Organization (CHDO) and whose mailing address is 148 Deweese Street, Lexington, Kentucky 40507 (hereinafter referred to as "CHDO").

**RECITALS**

**WHEREAS**, the GOVERNMENT, in accordance with the regulations codified at 24 CFR 92.102 –92.104 for the HOME Investment Partnership Program, has been designated a PARTICIPATING JURISDICTION by the U.S. Department of Housing and Urban Development (hereinafter referred to as "HUD");

**WHEREAS**, the FAYETTE COUNTY LOCAL DEVELOPMENT CORPORATION has been certified by the GOVERNMENT as a Community Housing Development Organization (CHDO) that meets all of the federal requirements for designation as such.

**WHEREAS**, the GOVERNMENT has been awarded federal funds from HUD's HOME Investment Partnerships Program (CFDA # 14.239);

**WHEREAS**, a requirement of the HOME Investment Partnerships Program (24 CFR 92.300) is that the GOVERNMENT identify community housing development organizations capable of carrying out elements of the jurisdiction's approved housing strategy and that no less than 15 percent of the GOVERNMENT's HOME allocations be reserved for investment only in housing to be developed, sponsored, or owned by community housing development organizations.

**WHEREAS**, the GOVERNMENT'S 2014, 2016 and 2017 Consolidated Plan/Annual Action Plans provide for the allocation of \$285,286.90 in funds to the CHDO acting as an Owner/Developer for Rental Housing Production Activities.

**WHEREAS**, the GOVERNMENT is responsible for ensuring that HOME funds are used in accordance with all program requirements; and,

**WHEREAS**, federal regulations require the GOVERNMENT to enter into a written agreement with the CHDO ensuring compliance with all applicable federal regulations.

WHEREAS, if the CHDO has remaining funds from previous HOME written agreements, this agreement and its full contents will apply to those remaining funds.

NOW THEREFORE, in consideration of the foregoing and mutually agreed upon promises, conditions, and covenants hereinafter set forth, the GOVERNMENT and the CHDO hereto agree as follows:

## ARTICLE I: Obligations of the CHDO

### A. Use of HOME Funds

1. Scope of Work. CHDO shall undertake the Project and perform all activities in accordance with HOME rules, other applicable Federal, state, and local laws and regulations, and the terms and conditions contained herein.
2. Eligible HOME Activities. CHDO agrees to use the set-aside of **\$269,331.90** for the purpose of constructing two duplex housing facilities (four units) located at **466 and 468 Ash Street** for rent to eligible low-income households in accordance with the HOME Investment Partnerships Program regulations as stated in 24 CFR Part 92. **\$15,955** will be used to fund the initial Operating Deficit Reserve, which is a reserve to meet any shortfall in the project income during the period of project rent-up and which may be used to pay operating expenses, reserve for replacement payments, and debt service. Any HOME funds placed in an operating deficit reserve that remain unexpended when the reserve terminates must be returned to the GOVERNMENT. Total HOME funding is **\$285,286.90**. CHDO agrees that all HOME funds will be used only for eligible costs in accordance with 24 CFR Part 92.206, and in accordance with a project budget (Exhibit 1) that shall be received prior to written approval of the GOVERNMENT. A minimum of four residential rental units will be completed with these funds.
3. Prohibited Costs. The CHDO is prohibited from charging servicing, origination, processing, inspection, or other fees for the costs of administering a HOME program, except as permitted by § 92.214(b)(1).
4. Project Budget. CHDO has submitted the following documentation, upon which LFUCG Division of Grants and Special Programs has relied in the execution of this Agreement:
  - a) Project budget;
  - b) a sources and uses statement, including the amount, form, use, and terms of the HOME subsidy;
  - c) an operating pro forma incorporating income from HOME rents for the term of the Affordability Period as contained herein;
  - d) tenant selection plan;
  - e) final plans and specifications;
  - f) description of waiting lists showing demand for units; and
  - g) financial commitments for any other funding sources
5. Cost Overruns. CHDO shall be solely responsible for ensuring completion of construction, within budget, as identified on the sources and uses statement, approved as a part of this Agreement. Any cost overruns will be the sole responsibility of the CHDO.

### B. Maximum Per-Unit Subsidy Amount

All sums provided hereunder shall be used solely and exclusively for the construction of the unit of rental housing for eligible project costs as set forth in 24 CFR 92.206. CHDO acknowledges that

the unit in the Project shall be administered as a HOME-assisted unit, and that **four units** shall be designated as HOME-Assisted Units (“HOME-Assisted Units”). The amount of subsidy for the new units at the locations described in A.2. shall not exceed a total of **\$269,331.90** which does not exceed the allowable maximum per-unit subsidy limit based on the Section 234 Condominium Housing, elevator-type, basic mortgage limits for Lexington-Fayette County, Kentucky multiplied by the 2015 high cost percentage of 240%. The maximum per-unit subsidy based on these limits is listed in the table below.

Unit Size	HOME Subsidy per unit	Maximum HOME Subsidy per unit 2015 234 subsidy limits
0		\$141,089
1		\$161,738
2		\$196,673
3		\$254,431
4+	\$71,322	\$279,286

**C. Duration of the Agreement**

The CHDO agrees to complete all acquisition and construction activities under this agreement no later than July 31, 2020. The terms of this Agreement shall be in effect for the full period of affordability, which is a period of twenty (20) years.

**D. Construction Completion and Project Completion**

The CHDO further agrees to construction completion no later than June 30, 2020. Construction Completion is defined as all construction work being completed, issuance of a Certificate of Occupancy by the Lexington-Fayette Urban County Government Division of Building Inspection, and final inspection by the Division of Grants and Special Programs.

Project Completion includes construction completion and the rental of the unit to an eligible household and acceptance of completion report by HUD’s Integrated Disbursement and Information System (IDIS). Rental of unit shall be completed within six months of construction completion and completion report shall be submitted within one month of rent-up.

**E. Period of Affordability**

The period of affordability is defined as a period of twenty (20) years, beginning on the project completion date, established as the date that IDIS accepts and records the Completion report. For purposes of enforcing the period of affordability, CHDO and GOVERNMENT shall execute and record in the Fayette County Clerk’s Office, Deed and Declaration of Restrictive Covenants upon each property on which HOME funds are expended. Repayment of funds does not affect the period of affordability. Deed Restrictions model is attached as Exhibit 2.

**F. Tenant Eligibility**

For a period of twenty (20) years from the date on which development of the Project is completed, established as the date that IDIS accepts and records the Completion report, one hundred percent (100%) of the units assisted with these funds will be rented to low-income households, in accordance with HOME regulations at 24 CFR 92.203 (b) (1). Low-income households are those

households with adjusted gross incomes at or below eighty percent (80%) of the area median income for the community. These units will be restricted to households with incomes at or below sixty percent (60%) of the area median income. Current income guidelines are attached as Exhibit 3.

#### **G. Mortgages and Notes**

The CHDO shall deliver to the GOVERNMENT Mortgage and Mortgage Note in favor of the GOVERNMENT for the purpose of securing all HOME funds provided for Rental Housing Production Activities on all properties on which HOME assistance is expended. Mortgage shall be for a twenty-year term at 0% interest rate, with full forgiveness of all indebtedness at the expiration of the twenty-year Period of Affordability, absence any breach of this agreement. Mortgages shall provide for repayment of full amount of the HOME-investment by the CHDO to the GOVERNMENT in the event of CHDO's failure to meet the affordability requirements for the full twenty-year period of affordability. In the event of default by the CHDO, the GOVERNMENT may take such measures as may be lawful to it for the recovery of indebtedness and including, but not limited to, foreclosure and sale of the CHDO's rights in the properties and/or the assignment and collection of the rents and profits of the Project. Mortgage and Mortgage Note are attached as Exhibits 4 and 5.

#### **H. Insurance**

The CHDO shall provide, maintain, and deliver to the GOVERNMENT evidence of fire and extended coverage insurance satisfactory to and with loss payable to the GOVERNMENT in the order and amount of the Mortgage Note hereby secured; assign to the GOVERNMENT any award of damages, or portion thereof, in connection with any condemnation for public use or injury to this property in the same manner and with the same effect as provided for payment of proceeds of fire and other insurance, said award or damaged not to exceed the amount secured by the Mortgage Note and to the extent not assigned to the holder of any prior or superior mortgage on this property.

#### **I. Taxes and Assessments**

CHDO further agrees to pay all taxes and assessments on the Property, general or special when due, or to reasonably contest the same and prevail or pay such tax or assessment pursuant to the same, and, upon demand of LFUCG, to pay, discharge, or remove or to reasonably contest the same and prevail or pay such tax or assessment pursuant to the same, any and all liens which may be hereafter placed against said Property.

#### **J. HOME Rent Restrictions**

For a period of twenty (20) years from the date on which the Project is completed, established as the date that IDIS accepts and records the Completion report showing that one hundred percent (100%) of the units assisted with these funds have been rented to low-income and very low-income households, in accordance with 24 CFR 92.252, CHDO shall charge the low HOME and high HOME rents as established from time to time by HUD pursuant to any regulations promulgated by HUD or the GOVERNMENT. The rents so charged must include utility costs. The maximum allowable HOME rent must be reduced by a utility allowance approved by GOVERNMENT if tenant is required to pay separately for utilities. Utility allowances approved by GOVERNMENT may vary as periodic adjustments are made. Should HUD revise these or other rent guidelines set out herein so as to permit CHDO to adjust the rent charged, CHDO must provide tenants with no less than thirty (30) days written notice before adjustments are implemented. GOVERNMENT will

notify CHDO of changes in rent and utility schedules. Current rent and utility schedules are attached as Exhibits 6 and 7.

**K. Leases**

CHDO shall offer tenants leases for terms of at least one year. Leases of less than one year are permitted only by mutual agreement between the tenant and CHDO. Any lease entered into between CHDO and a tenant shall require the tenant to provide information as to family size and income as set out herein. Non-renewable leases shall not be utilized. The lease shall be in conformance with the Uniform Residential Landlord and Tenant Act to the extent the Uniform Residential Landlord and Tenant Act is applicable to CHDO and to the requirements of 24 CFR 92.253. The requirements set forth in this paragraph shall be in effect for a period of twenty (20) years from the date on which development of the project is completed.

**L. Tenant Selection Policies and Tenant Participation Plan**

The CHDO shall adopt and follow written tenant selection policies and criteria that are consistent with the purpose of providing housing for very low-income and low-income persons and in conformance with the requirements at 24 CFR 92.253(d). The CHDO shall develop and follow a tenant grievance procedure that shall have the approval of the GOVERNMENT and shall provide a plan for and follow a program of tenant participation in management decisions in accordance with 24 CFR 92.303.

**M. Verification and Reporting of Tenant Eligibility**

The family size and the adjusted gross income for all tenants must be determined at the time of initial occupancy and annually for a period of twenty (20) years from the date on which development of the Project is completed. Project is deemed to be completed on the date that IDIS accepts and records the Completion report showing that one hundred percent (100%) of the units assisted by this Loan have been rented to low-income and very low-income households. CHDO shall obtain and verify income and family size information from each tenant upon initial rent up and annually during the twenty (20) year period. CHDO shall provide information on family size, adjusted gross income and rent charged for all tenants to the GOVERNMENT's Division of Grants and Special Programs within sixty (60) days after the initial rent up and the annual review date. CHDO shall obtain any necessary releases from tenant to allow GOVERNMENT to independently verify the information provided. The definition of income for this project is the same as HUD's Section 8 (Part 5) Annual (gross) Income.

The CHDO shall, on an annual basis, during a period of twenty (20) years from the date on which development is completed, review the income, family size and exclusions of all tenants and determine if any are over-income. Development is deemed to be completed on the date that IDIS accepts and records the Completion report showing that one hundred percent (100%) of the units assisted by this Loan have been rented to low-income and very low-income households. An over-income tenant is a household with an adjusted gross income exceeding eighty percent (80%) of the median for the community. CHDO shall not evict over-income tenants based on income. CHDO shall increase the rent of the unit to thirty percent (30%) of the household's adjusted gross income. Units vacated by an over-income tenant must be rented to an income-eligible tenant during the twenty (20) year period.

**N. Termination of Tenancy**

CHDO shall not terminate the tenancy or refuse to renew the lease of a tenant of a HOME-Assisted Unit, except for allowable reasons: serious or repeated violations of the terms and conditions of the lease; violating Federal, state, or local law; or other good cause, all as reasonably determined by CHDO. Tenants shall be served a written notice at least thirty (30) days prior to the termination of tenancy; said notice shall specify the grounds for the termination or refusal to renew the lease.

**O. Violence Against Women Act (2013)**

CHDO shall comply with the provisions of the Violence Against Women Act (“VAWA”), as amended in March 2013. By way of example, but not by way of limitation, VAWA provides that “an applicant for or tenant of housing assisted under a covered housing program may not be denied admission to, denied assistance under, terminated from participation in, or evicted from the housing on the basis that the applicant or tenant is or has been a victim of domestic violence, dating violence, sexual assault, or stalking, if the applicant or tenant otherwise qualifies for admission, assistance, participation, or occupancy.” 42 U.S.C. § 14043e(b)(1). Further, CHDO shall provide tenants with the notice of rights as provided in 42 U.S.C. § 14043e(d).

**P. Property Standards**

CHDO shall comply with the applicable standards for new construction as specified in 24 CFR §92.251(a)(2) property standards and agrees to comply with the Kentucky Building Code, as applicable. CHDO agrees to comply with all local and state laws regarding the submission of plans and specifications to, and approval by, the appropriate Building Official prior to the start of construction. In the construction of new units, the CHDO agrees to meet the current edition of the Model Energy Code published by the Council of American Building Officials. CHDO agrees that these units will meet the federal ENERGY STAR standards. CHDO further agrees to maintain all units receiving a HOME subsidy in good condition and repair in accordance with Section 12-1, Code of Ordinances, Lexington-Fayette Urban County Government, as amended, for the full 20-year Period of Affordability. Upon written notification of violations of maintenance requirements, CHDO shall make corrections within 60 days. Code of Ordinances Section 12-1 is available at:

[https://library.municode.com/ky/lexington-fayette\\_county/codes/code\\_of\\_ordinances?nodeId=COOR\\_CH12HO](https://library.municode.com/ky/lexington-fayette_county/codes/code_of_ordinances?nodeId=COOR_CH12HO).

**Q. Worker’s Compensation**

CHDO shall maintain statutory worker’s compensation and employer’s liability coverage for all employees who will be engaged in the performance of the contract, including special coverage extensions where applicable.

**R. Reports**

The CHDO agrees to provide any reports and information as required by the GOVERNMENT. The CHDO shall be responsible for providing the following data: the number of affordable units developed, size of units (number of bedrooms), years of affordability, the number of units meeting Energy Star standards, the number of units made fully accessible under Section 504 accessibility standards, and the number of units occupied by elderly households (either the head or co-head is age 62 or older). In addition, an annual report shall also provide the following information about the employees of the CHDO’s organization: race, ethnicity, national origin, age, gender, and disability. The annual report shall be submitted to the GOVERNMENT no later than thirty days after the end of the GOVERNMENT’s fiscal year.

The GOVERNMENT retains the right to request additional information and the right to change reporting requirements regarding HOME-Assisted Units as reasonably necessary.

**S. Request for Disbursement of Funds**

The CHDO agrees that it shall not request disbursement of funds from the GOVERNMENT until the funds are needed for payment of eligible costs and shall request only the amount of funds needed. The CHDO further agrees that any federal funds received and not used by the CHDO within fifteen days of receipt will be returned to the government immediately.

The request for disbursement of funds for rental housing development shall include a draw request for HOME funds for each unit, accompanied by all receipts for labor and materials identified by property address. The first request shall include a copy of the building permit, the Deed and Declaration of Restrictive Covenants, evidence of compliance with the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970, as amended (URA), and the results of the Lead-Based Paint test (if applicable). Payment shall be made based upon the proportionate HOME investment. Progress payments shall be made at the following intervals: 25%, 50%, and 75% of completion based upon the budget.

The final request for disbursement of funds for rental housing development shall also include post construction appraisals, Certificates of Occupancy, Final Inspection conducted by the Lexington-Fayette Urban County Government's Division of Grants and Special Programs, Final Sources and Uses of Funds, leases, HOME Annual Certification Report, completed tenant-funded utilities form, mortgage and note for HOME assistance, copies of all other recorded mortgages on the HOME-assisted properties, amount and source (name of individual or organization) of all private donations, and final report of contractors/subcontractors employed on the project, with Federal Employer Identification Numbers/Social Security numbers, complete mailing addresses, type of trade/skill, total contract dollar amount, and indication of Disadvantaged Business Enterprise status: women-owned and/or the following race/ethnicity categories (Alaskan Native/American Indian, Asian or Pacific Islander, Black Non-Hispanic, Hispanic, or White/Non-Hispanic).

**T. Reversion of Assets**

The CHDO agrees that in the event that it ceases to operate as a CHDO, it shall transfer to the GOVERNMENT any HOME funds on hand at the time of expiration and any accounts receivable attributable to the use of HOME funds.

**U. Sale of Property**

All sales of property during the period of affordability must have the prior written approval of the GOVERNMENT's Division of Grants and Special Programs. No property sales will be approved that do not maintain the tenant income eligibility requirements and rent restrictions provided by the period of affordability. With the prior written approval of the GOVERNMENT's Division of Grants and Special Programs, properties may be sold to income-eligible tenants for homeownership.

**V. Project Proceeds**

All **Project proceeds** from the sale of property by the CHDO shall be retained by the CHDO and shall be used exclusively for other HOME-eligible activities including acquisition and/or rehabilitation and the new construction of homebuyer properties or rental housing; homeowner rehabilitation and tenant based rental assistance. The projects funded with project proceeds are not reported as HOME assisted units and not subject to HOME regulations. The CHDO agrees to provide a quarterly report detailing the amount received, date received, source of proceeds, and use of proceeds to the GOVERNMENT by the 15<sup>th</sup> of the following quarter, until all funds have been expended.

**W. Program Income and Recaptured Funds**

All Program Income and Recaptured funds must be returned within 10 days of receipt. Funds recaptured because housing no longer meets affordability requirements are not Project Proceeds.

**X. Definition of Community Housing Development Organization (CHDO)**

The CHDO agrees that throughout the period of affordability it will conform to the definition of a Community Housing Development Organization as stated in the HOME Investment Partnerships Program regulations codified at 24 CFR 92.2.

**Y. CHDO Status**

Developer shall provide information to GOVERNMENT on an annual basis to document that it still qualifies as a CHDO.

**ARTICLE II: Other Federal Requirements**

**A. Compliance with Federal and State Laws and Regulations**

CHDO shall comply with all applicable Federal and State laws and regulations in the performance of this Agreement.

**B. Uniform Relocation and Real Property Acquisition Act**

The CHDO agrees to conduct housing acquisition, rehabilitation, construction and demolition activities in such a manner as to minimize the displacement of persons. The CHDO further agrees to comply with the requirements of the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970 (URA) (42 U.S.C. 4201-4655) and 49 CFR part 24.

**C. Environmental Review**

The GOVERNMENT has performed the necessary obligations related to this section.

**D. Lead-Based Paint**

If applicable, the CHDO agrees to comply with the Lead Based Paint Poisoning Prevention Act (42 U.S.C. 4821-4846), the Residential Lead-Based Paint Hazard Reduction Act of 1992 (42 U.S.C. 4851-4856), and implementing regulations at 24 CFR 35, subparts A,B,J, K, M and R. The CHDO is responsible for testing and abatement activities as may be required. If lead-based paint exists on the project site, the lead-based paint must be abated prior to the start of rehabilitation work, and evidence of the abatement must be sent to the Division of Grants and Special Programs within 90 days of the date of the agreement.



### **E. Fair Housing and Equal Opportunity**

Under any program funded in whole or in part with HOME funds, the CHDO shall not exclude from participation in, deny the benefits of, or subject to discrimination any person in the United States on the grounds of race, color, national origin, religion, sex, familial status or disability.

The CHDO agrees to comply with the requirements of the Fair Housing Act (42 U.S.C. 3601-20) and implementing regulations at 24 CFR, part 100; Executive Order 11063, as amended by executive Order 12259 (3CFR, 1958-1963 Comp., p. 652 and 3 CFR, 1980 Comp., p. 307) (Equal Opportunity in Housing) and implementing regulations at 24 CFR part 107; and title VI of the Civil Rights Act of 1964 (42 U.S.C. 2000d) (Nondiscrimination in Federally Assisted Programs) and implementing regulations issued at 24 CFR part 1.

The CHDO agrees to comply with the requirements of the Age Discrimination Act of 1975 (42 U.S.C. 6101-07) and implementing regulations at 24 CFR part 146: the requirements of section 504 of the Rehabilitation Act of 1973 (29 U.S.C. 794) and implementing regulations at 24 CFR part 8.

### **F. Nondiscrimination in Employment and Equal Opportunity**

CHDO shall not discriminate against any employee or applicant for employment because of race, color, national origin, sex, or religion, in accordance with Executive Order 11246, as amended and implementing regulations at 41 CFR part 60. In the event CHDO employs fifteen (15) or more employees, CHDO is prohibited from discriminating against any employee or applicant with a disability, in accordance with Title I of the Americans with Disabilities Act of 1990. CHDO shall include nondiscrimination notices in all job postings and post in a visible place in the office.

### **G. Labor**

1. HUD Section 3 Requirements. To the greatest extent feasible, CHDO shall make an effort to provide opportunities for employment and training for lower income residents within the project area, and to award contracts for work in connection with the Project to business concerns which are located, or owned in substantial part, by persons residing in the area of the project, as described in 24 CFR § 135.
2. Davis Bacon and Related Acts. CHDO will be constructing 2 buildings with 2 units in each building so the provisions of Davis Bacon will not apply.
3. Minority, Women and Small Business Enterprise Requirements. LFUCG has set a goal of 10% participation for contractors to utilize Minority, Woman and Small Business Enterprises and 3% to utilize veterans for construction projects in Lexington-Fayette County. The CHDO shall make efforts to meet this goal by ensuring that these business entities, labor surplus area businesses, and individuals or firms located in or owned in substantial part by persons residing in the area of a Public Housing Agency project are used when possible. As used in this Agreement, the term "minority and female business enterprise" means a business at least fifty-one (51) percent owned and controlled by minority group members or women. For the purpose of this definition, "minority group members" are African-Americans, Spanish-speaking, Spanish surnamed or Spanish-heritage Americans, Asian-Americans, and American Indians.
4. Other Federal Labor Requirements. CHDO shall comply with the following laws, or shall require such compliance from its partners pursuant to a construction contract or other

written agreement: Contract Work Hours and Safety Standards Act, as amended (40 U.S.C. § 327-333); Copeland Anti-Kickback Act (40 U.S.C. § 276c); and Fair Labor Standards Act, as amended (29 U.S.C. § 201, et seq.).

5. Debarred Contractors. CHDO shall require all of its contractors and subcontractors to certify that neither they nor their principals are presently debarred, suspended, proposed for debarment, declared ineligible, or voluntarily excluded from participation in federally funded activities.

#### **H. Conflict of Interest**

The CHDO agrees to comply with the conflict of interest provisions in 24 CFR 84.42 regarding written standards governing the performance of its officers, employees, and agents engaged in awarding and administering contracts. The CHDO further agrees to comply with the conflict of interest provisions at 24 CFR 92.356.

#### **I. Religious Activities**

CHDO is prohibited from using funds provided herein or personnel employed in relation to this Project for political activities and sectarian or religious activities.

#### **J. Affirmative Marketing**

As it may be applicable, SUBRECIPIENT agrees to comply with the Affirmative Marketing Plan as adopted by the GOVERNMENT and as approved by HUD. The Affirmative Marketing Plan is located in the consolidated plan/annual action plan.

#### **K. Standards for Financial Management System**

In accordance with 2 CFR 200.302, all grant recipients must have financial management systems that include written procedures for ensuring all expenditures conform to the terms and conditions of the grant as well as the Uniform Guidance Cost Principles.

1. Accounting Standards. CHDO agrees to maintain books, records, documents and other evidence directly pertinent to performance of work in accordance with comply with 24 CFR § 92.508(3), (4) and (7), as applicable and comply with 2 CFR § 200, Subpart D and agrees to adhere to the accounting principles and procedures required therein, utilize adequate internal controls, and maintain necessary source documentation for all costs incurred.
2. Cost Principles. CHDO shall administer its program in conformance with 2 CFR § 200, Standards for Financial and Program Management, Cost Principles and Audit Requirements, as detailed in Subparts D, E, and F. These principles shall be applied for all costs incurred whether charged on a direct or indirect basis.
3. Audits & Inspections. CHDO shall comply with audit requirements contained in 2 CFR, Subpart F which requires CHDO to have an annual audit conducted within nine (9) months of the end of their fiscal year, if CHDO has an aggregate expenditure of more than \$750,000 in federal funds in a fiscal year. CHDO further agrees to submit a copy of this audit to LFUCG Division of Grants and Special Programs within thirty (30) days of receipt from the auditor. Any deficiencies noted in audit reports must be fully cleared by the CHDO within thirty (30) days after receipt of same. CHDOs that are not required to perform an audit per the 2 CFR, Subpart F requirements must have and maintain adequate internal financial/cash management principles and reporting policies.

**L. Establishment and Maintenance of Records**

The CHDO agrees to establish and maintain records sufficient to document compliance with the grant requirements of the HOME Investment Partnerships Program. As applicable, the CHDO will maintain project records as identified in 24 CFR 92.508 (a)(5).

The CHDO agrees that officials of the GOVERNMENT, officials of HUD, officials of the Comptroller General of the United States, or any of their duly authorized representatives shall have access to any books, documents, papers, and records of the CHDO which are directly pertinent to the specific grant program for the purpose of making audit, examination, excerpts, and transcriptions.

The CHDO further agrees to retain records for five years after the expiration of the period of affordability; and in the event that the CHDO discontinues operating as a legal entity, said records shall be delivered to the GOVERNMENT.

**ARTICLE III: Obligations of the Government**

**A. Reservation of Funding**

In accordance with 24 CFR 92.300-301, the GOVERNMENT agrees to reserve \$285,286.90 from its 2014, 2016 and 2017 HOME allocations for Rental Housing Production Activities for use by the CHDO for eligible HOME projects.

**B. Monitoring and Compliance**

The GOVERNMENT agrees to monitor the performance of the CHDO to assure compliance with all applicable federal regulations; however, monitoring does not relieve the CHDO of primary responsibility for compliance.

**C. Technical Assistance**

The GOVERNMENT agrees to provide technical assistance to the CHDO in fulfilling its obligations under this agreement.

**D. Disbursement of Funding**

The GOVERNMENT agrees to make reasonable, allowable disbursements from its local HOME Investment Trust Fund to the CHDO when a need for payment is documented.

**E. Inspections**

The GOVERNMENT retains the right to conduct on-site inspections of the Project during the development process and during the Affordability Period during normal business hours. Inspections of units shall be completed at least every three years for purposes of determining CHDO'S compliance with maintenance requirements. If there are observed deficiencies found, a follow-up on-site inspection will be completed within 12 months to verify that deficiencies are corrected.

**F. Notification of Changes**

The GOVERNMENT agrees to notify the CHDO with any changes in the HOME regulations, program limits for income, rent and property value, and all other pertinent information received in regards to the program.

## **ARTICLE IV: Additional Provisions**

### **A. Certification Regarding Federal Assistance.**

CHDO certifies that the federal financial assistance amounts contained in the approved Sources and Uses Budget are the only amounts of federal assistance that is being contributed to this project. CHDO further certifies that if other governmental assistance is sought in the future, CHDO will promptly notify GOVERNMENT.

### **B. Certification Regarding Lobbying**

CHDO certifies, to the best of its knowledge and belief, that no Federal appropriated funds have been paid or will be paid, by or on behalf of the undersigned to any person for influencing or attempting to influence an officer or employee of any agency, a Member of Congress, an officer or employee of Congress, or an employee of a Member of Congress in connection with the awarding of a Federal contract, the making of a Federal grant, the making of a Federal loan, the entering into of a cooperative agreement, and the extension, continuation, renewal, amendment, or modification of a Federal contract, grant, loan, or cooperative agreement.

### **C. Termination**

This agreement, in accordance with 24 CFR 85.43 can be terminated if the CHDO fails to comply with any term or obligation of under this Agreement in accordance with 24 CFR 85.44. If through any cause, CHDO shall fail to fulfill in a timely and proper manner its obligations under this Agreement, or if CHDO shall violate any of the covenants or stipulations of this Agreement, such that such an Event of Default exists and remains uncured, the GOVERNMENT shall thereupon have the right to terminate this Agreement by giving at least thirty (30) days' notice in writing to the CHDO of such termination and specifying the effective date thereof as provided herein. If the contract is terminated by the GOVERNMENT, the GOVERNMENT will reimburse for any actual and approved expenses incurred. This Agreement may be terminated for convenience by either party in accordance with 24 CFR 85.44 upon provision of at least thirty (30) day written notice.

### **D. Entire Agreement and Modification**

This instrument contains the entire agreement between GOVERNMENT and CHDO. Oral changes of it will have no effect. Any prior information, discussions or agreements are merged herein and barred hereby. This Agreement may not be amended or modified orally, by course of dealing, waiver or estoppel. This Agreement may not be modified or amended except in writing signed by all parties.

### **E. Indemnification**

CHDO agrees to indemnify and hold harmless the GOVERNMENT and its agents, staff, employees, officers, directors, affiliates, successors and assigns, of and from any and all claims, demands, debts, contracts, expenses, causes of action, lawsuits, damages, and liabilities of every kind and nature, including any claims of owner or employee negligence, whether known or unknown, in law or equity, including any claims against and/or regarding the CHDO and its Employees, Contractors, and Agents, which they have, ever had or may have ("Claims"), arising from or in any way related to CHDO's obligations under this Agreement with respect to the Project. This includes reasonable attorneys' fees GOVERNMENT may incur in enforcing this paragraph. In addition, this indemnification and agreement to pay GOVERNMENT's reasonable

attorneys' fees expressly includes any Claims that may arise from any act or failure to act by any Employees, Contractors, and Agents. However, this indemnification does not apply to any acts of gross negligence, or intentional, willful or wanton misconduct of the GOVERNMENT.

**F. Successors and Assigns**

This Agreement shall inure to the benefit of and be binding upon the parties hereto and the permitted successors and assigns of the parties. CHDO may not assign its interests or obligations under this Agreement without the express, prior written consent of the GOVERNMENT.

**G. Duration of Agreement**

This agreement will remain in effect during the relevant period of affordability of any housing developed with HOME financial assistance under the provisions of this agreement and in accordance with the requirements of the HOME regulations at 24 CFR 92, or for as long as federal regulations may require compliance.

**H. Notices**

Any notices, consents, waivers or other communications required or permitted to be given under the terms of this Agreement must be in writing and will be deemed to have been delivered: (i) upon receipt, when delivered personally; (ii) upon receipt, when sent by email (provided confirmation of transmission is mechanically or electronically generated and kept on file by the sending party); or (iii) when delivered or mailed by certified mail, postage prepaid, or return receipt requested. The addresses for such communications shall be to the respective addresses as set forth in the Agreement below or at such other address as such parties shall have furnished in writing:

**GOVERNMENT:**

Lexington-Fayette Urban County Government  
Division of Grants and Special Programs  
200 East Main Street, 6<sup>th</sup> floor  
Lexington, Kentucky 40507  
ATTN: Charlie Lanter, Director  
[clanter@lexingtonky.gov](mailto:clanter@lexingtonky.gov)  
859-258-3079

**CHDO:**

Fayette County Local Development Corporation  
148 Deweese Street  
Lexington, Kentucky 40507  
ATTN: Norman Franklin  
[norman@ullexfay.org](mailto:norman@ullexfay.org)  
859-254-6212

The CHDO acknowledges receipt of the HOME Investment Partnerships Program regulations codified at 24 CFR Part 92.84.

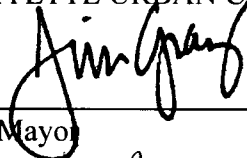
**I. Certification**

The person executing this Agreement on behalf of CHDO hereby personally certifies that the representations and warranties made herein are true and correct as of the date hereof and that such person is a duly appointed officer of CHDO as indicated below, and that CHDO shall be lawfully bound hereby.

[SPACE INTENTIONALLY LEFT BLANK. SIGNATURE PAGE TO FOLLOW]

IN WITNESS WHEREOF, the parties have executed this Agreement at Lexington, Kentucky the day and year first above written.

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT

BY:   
Jim Gray, Mayor

DATE: 31-May-2018

ATTEST:

  
Clerk of Urban County Council

FAYETTE COUNTY LOCAL DEVELOPMENT CORPORATION

BY:   
Signature of Authorized Official

PORTER G. PEEPLES, SR PRESIDENT  
Printed Name and Title of Authorized Official

DATE: 5/31/18

# **Exhibit 1**

## **Budget**

## **General Instructions**

- A. Much of this application mirrors the underwriting model used by Kentucky Housing Corporation.
- B. You will only be able to enter information into yellow input cells. All other cells are protected or are for PJ use. Some cells may be shaded black; do not enter data in blacked out cells.
- C. Complete the following worksheets roughly in the order corresponding with their numbering:
  - A) Application
    - A.1) Properties
    - 0) Underwriting Criteria
      - 1) Summary
      - 2) Sources & Uses
      - 3) Income
      - 4) Expenses
      - 5) Operating Proforma
      - 6) Housing Credits
      - 7) Compliance Checks
- D. All worksheets must be completed. Information on each worksheet is linked to other sheets.
- E. To print this entire file, click on "File," then "Print" and select "Print Entire Workbook."

### **A) Application**

- A. This is the general application form. It is approximately eight (8) pages long.
- B. Fill in all applicable yellow cells. Many sections will prompt you with drop-down menus. Some cells will initially be blank and will be populated once you have completed the other worksheets in this workbook.
- C. When you print a hard copy of this file, be sure to carefully read and sign the certification on the final page.

### **A.1) Properties**

- A. This is a subsidiary sheet to the Application form.
- B. Enter requested info about properties in the project site(s) as well as properties owned by the applicant and its affiliates.

### **0) Underwriting Criteria**

- A. This provides you with LFUCG's guidelines for various underwriting criteria and identifies if your project meets these criteria.
- B. Default percentages for rent inflation, vacancy and operating expense inflation are shown. However, if another funding source requires different inflation factors, percentages may be modified with justification.
- C. The required per unit amount for replacement reserve is shown. If another funding source requires a higher replacement reserve amount per unit, this may be modified with justification.
- D. If your numbers vary from the guidelines, you must explain these variances in Column I.

### **1) Summary**

- A. This is a summary of other worksheets. Review it after completing all other sheets.
- B. Enter any additional information you wish to provide LFUCG in the "Applicant Notes" section at the bottom of the sheet.

### **2) Sources & Uses**

- A. Enter all permanent sources of funding, debt and equity, along with requested information for each source, including match information
- B. If a cash flow loan (Mark-to-Market or other cash flow loan) is a source, describe the terms of repayment in the box provided.
- C. Enter all construction sources. Some of the construction sources may also be the same as some of the permanent sources; however, you must identify the amount of each source (including equity) that is available during the construction period. If there are costs not paid during construction, identify those.
- D. Enter all development and construction costs. Be sure to identify the source funding your operating deficit reserve and any sources you enter in cells marked "Other."
- E. Verify that permanent sources and construction sources both equal the total development costs.

### **3) Income**



- A. Indicate which amenities your project will provide.
- B. *Utility Allowances* : Indicate the type of utilities the project will have, as well as which will be paid by owner and which will be paid by tenants. For utilities paid by tenants, enter the applicable utility allowance for each. Also enter the source of the utility allowances you are using.
- C. *Unit Distribution*: For each bedroom type, enter the requested information. Be sure to enter the Contract Rent, which is the rent you will be charging tenants or the project-based rent (if applicable).
- D. *Project Totals*: Enter the commercial square footage and common area square footage, if applicable.
- E. *Rental Assistance*: If the project is proposing project-based rental assistance, enter the source of the assistance and the number of units that will have project-based assistance. The current rental assistance contract, along with current approved rents and utility allowances as documented by the rental assistance provider, must be submitted with the application.
- F. *Other Income*: Enter the monthly amount of other sources of revenue you are reasonably sure the project will receive.
- G. *Annual Operating Subsidies* : If the project will receive operating subsidy, enter the source and amount. Documentation of the amount and source of the operating subsidy must be provided with the application.

**4) Expenses**

- A. Enter the annual expenses for Year 1 of stabilized operations.
- B. At the bottom of the sheet, again indicate who will be responsible for which utilities.

**5) Operating Proforma**

- A. This cash flow charts revenue and expenses over 20 years to see how a project performs financially. You may not need to enter any information, but make sure the project has sufficient debt coverage ratios and cash flow throughout whatever compliance period applies to the funding you seek ( usually 15-20 years). LFUCG targets a specific DCRs in Year 1 over the compliance period, as identified in the UnderwritingCriteria worksheet. If the DCR is not positive through the compliance period, explain on the Summary how the owner will handle the negative cash flow so that the project remains financially viable throughout the compliance period. If an Operating Subsidy or draws on an Operating Reserve will mitigate negative cash flow, enter these funds on this worksheet.
- B. If you determine that inflation or vacancy factors should be modified, go to "0)Underwriting Criteria" and enter your numbers in the column labeled "Applicant's #." Any changes must be explained.
- C. If there are project expenses that are payable subject to available cash flow, manually input the annual amount of those expenses. At the bottom of the proforma, identify those expenses subject to cash flow.
- D. If a cash flow loan (such as Mark-to-Market or other cash flow loan) is a source, manually input the annual repayment amount of the cash flow loan. *(Note: Mark-to-Market cash flow loans may take priority over repayment of deferred developer fee).*
- E. This sheet will automatically calculate the repayment of any Deferred Developer Fee with available cash flow. For tax credit projects, any deferred fee not repaid within 10 years, the remaining balance will be subtracted from Eligible Basis on the 2)Sources & Uses sheet.

**6) Compliance Checks**

- A. Check to ensure the project has the minimum number of HOME units required. If not, enter additional HOME units on Sheet 3, "Income".
- B. Check the 221(d)3 maximum subsidy limits to insure your funding request does not exceed limit. If your request exceeds the HUD limit, you must either reduce your requested HOME funds or increase the number of HOME units in the project.

**7) Housing Credits**

- A. If you indicated your project is not seeking tax credits, this sheet will be blacked out.
- B. If you are seeking KHC tax credits, complete this form exactly as you did in the KHC Underwriting Model.

**How to Apply**

- 1) Email this electronic application/proforma in Excel to:

**Suzie Lovady, Grants Manager**

- 2) Mail a signed hard copy of this entire application/proforma along with the Required Attachments listed at the bottom of the Application form to:

**Suzie Lovady, Grants Manager  
200 East Main St., 9th Floor  
Lexington, KY 40507**

# RENTAL PRODUCTION APPLICATION

## LFUCG HOME Program

Last Date Modified: 5/22/2018

Project/IDIS #: \_\_\_\_\_

### A. General Information

#### Development Information

Project Name: FCLDC Ash Street CHDO Project  
 Street Address: 148 DeWeese Street Neighborhood: West End  
 Lexington, KY Zip: 40507 Council District: 1 Census Tract: \_\_\_\_\_

Total Rental Units: 4 Construction Type: Rehab & New Const.  
 # of HOME Units: 4 Fixed or Floating HOME Units? Fixed  
 Low Income Housing Tax Credit Project? No Type of LIHTCs: \_\_\_\_\_

#### Project Summary *Briefly describe your project.*

FCLDC will build two (2) Townhouse duplexes, one a three bedroom/three bedroom and the other a three bedroom/four bedroom with private driveways. This will result in four affordable rental units. Rents charged will be High Home Rents adjusted for the utility allowance.

#### Assistance Requested *(info comes from other worksheets)*

Total Project Development Costs (TDC)	\$698,893	\$174,723
HOME Permanent Subsidy	\$269,332	\$67,333
Other Permanent Subsidy	\$15,955	\$3,989
<b>Total Permanent Subsidy</b>	<b>\$285,287</b>	<b>\$71,322</b>

#### Developer Information

Entity Name: Fayette County Local Development Corp Federal I.D. #: 61-1057380  
 Contact Person: Norman P. Franklin Phone: 859-254-6212  
 Address: 148 DeWeese Street Email: norman@ullexfay.org  
 City: Lexington State: KY Zip: 40507-1921

Legal Form: Non-Profit Corp

If non-profit, registered with the State of KY? Yes  
 Non-profit determination been made by the Internal Revenue Service? Yes  
 If yes, indicate IRS designation: 501(c)(3)  
 Community Housing Development Organization (CHDO)? Yes  
 Is the CHDO designation from LFUCG? Yes

Explain the role and activities of the non-profit sponsor in the development. Check which apply

Developer        Marketing        Other: \_\_\_\_\_  
 General Contractor        Carries Liability Insurance         
 Owner   X   Carries Liability/Property Insurance       

Describe the ownership structure of the project and explain the role of any non-profits in the project.

The properties are owned by FCLDC, with commercial mortgages that require monthly debt service, and CHDO development fund that require a 20 year period of affordability. There is no repayment requirements unless FCLDC fails to maintain as income restricted for renters at or below 60% of the AMI for Lexington-Fayette County.

**General Partner/Corporate Officer Information (if applicable)**

(List Managing General Partner on first line.)

Ownership %

Name: N/A Fed. ID/Soc. Sec. # \_\_\_\_\_

Name: \_\_\_\_\_ Fed. ID/Soc. Sec. # \_\_\_\_\_

**B. Development Plan Information**

Primary Unit Type: Duplex Target Population: Family

Additional Unit Type: \_\_\_\_\_ Group Home? \_\_\_\_\_

Total Residential Square Feet: 6,336 Avg Square Feet Per Unit: 1584

Total number of Buildings planned 2 Buildings

Year Oldest Existing Building Constructed \_\_\_\_\_

Structural System Frame Basement \_\_\_\_\_ Crawlspace \_\_\_\_\_ Exterior Other

Parking Parking Pad/Driveway

**Energy and Equipment Information**

Energy Star? \_\_\_\_\_ Other Green Certification(s) \_\_\_\_\_

Heating System: Electric Yes

Air Conditioning System: Central Forced Air Yes

Domestic Hot Water: Electric Yes

**Equipment included with Income Restricted Units (check those that apply)**

<input type="checkbox"/> Microwave	<input checked="" type="checkbox"/> Refrigerator	<input checked="" type="checkbox"/> Kitchen Exhaust Duct	Other: _____
<input checked="" type="checkbox"/> Range & Oven	<input checked="" type="checkbox"/> Ceiling Fans	<input type="checkbox"/> Common On-site Laundry	_____
<input checked="" type="checkbox"/> Garbage Disposal	<input type="checkbox"/> Fireplace	<input type="checkbox"/> Security Alarm	_____
<input checked="" type="checkbox"/> Dishwasher	<input checked="" type="checkbox"/> Blinds/Drapes	<input type="checkbox"/> Laundry Equipment	_____

**C. Site Information**

On the worksheet "1a)Properties" enter all properties included in the project site(s).

Project Site Area (utilized for proposed development): 25,500 Sq Ft

Are any project buildings in a National or local historic district? No

Have you already acquired the project property? Yes

Was the property occupied at the time you obtained ownership? No

If vacant at purchase, how many months had it been vacant? 24

Did/will you acquire the property with clear title and no debt? Yes

Is this an "Arms-Length" Transaction, meaning the buyer and seller are acting independently and have no relationship to one another? Yes

If this is not an Arm's Length Transaction, explain the relationship between buyer and seller.

**Not applicable**

Current Zoning: R-3, Planned Neighborhood Residential Intent

If the project requires a zoning change/waiver, explain where you are in this process.

**Not Applicable**

Will the current site(s) require lots to be subdivided? No

Are the following utilities now located on the site?

Public Water Supply	<u>X</u>
Public Sewer System	<u>X</u>
Natural Gas Distribution System	<u>        </u>
Electric Power System	<u>X</u>

Are the following conditions present at the proposed development site?

All or part in 100-yr. floodplain	<u>No</u>	Standing water	<u>No</u>
Railroad tracks within 300 feet	<u>No</u>	Creek, lake, river frontage	<u>No</u>
High tension wires	<u>Unknown</u>	Ravines or steep grades	<u>No</u>
High noise levels	<u>Unknown</u>	Industrial sites	<u>No</u>
Hazardous waste sites	<u>No</u>	Commercial sites	<u>No</u>
Proximity to an airport	<u>No</u>		

Describe any unusual site conditions:

None

### D. Neighborhood & Market Information

*Applicants must submit some form of in-house or 3rd party market analysis demonstrating demand for the proposed project. KHC needs/market analyses are acceptable. An appraisal supporting acquisition price will be required.*

Explain the need/market demand for the proposed project that insures units will lease up within program deadlines:

Thirty eight applications for housing have been received over an eighteen month period; forty percent (40%) were needing three and four bedroom housing. Forty seven percent (47%) were needing one bedrooms or SROs.

Explain how you arrived at the projected rents:

Use of HOME rents table

How will you insure lease-up to eligible tenants within 18 months?

There are fifteen families on our waiting list needing three bedroom housing. Additionally, we market our rental properties on Rentlinc, Zillow, Lexington Housing Authority's post board; word of mouth is also a significant source of inquiries.

Describe how this project builds on existing and emerging neighborhood anchors (hospital, university, park, school, retail amenities, etc.):

Project increases housing choices for low - income renters

Describe how this project has been coordinated with other neighborhood projects, investments or redevelopment initiatives.

The Lexington Housing Authority has Hope VI scattered site developments on Ash Street. (duplexes)

Describe the project's proximity to existing transportation & infrastructure assets (sidewalks, bus routes, etc.).

Bus routes are within one block of the properties,

**E. Development & Draw Schedule**

In the chart below, enter the date the item was accomplished, or when it is expected to be accomplished. If an item does not apply to your development, enter N/A or leave blank. NOTE: This or a revised schedule will be included in your written agreement with LFUCG should you be funded.

IDIS Commitment Date (For LFUCG to input)		Month	Year	Est. Draw on LFUCG Funds
Site Control & Predevelopment	Option			
	Contract			
	Closing	October	2016	
	Zoning			
	Site Analysis	May	2017	
	Working Construction Drawings			
Construction Loan Closing		March	2018	
Construction Start		May	2018	
Construction 1/2 Completed & Drawn		August	2018	\$136,214
Marketing Start-Up				
Construction Complete (Certificate of Occupancy)		December	2018	\$136,213
All Units Leased		January	2019	

Total Development Schedule: 10 months \$272,427

**F. Experience & Affiliates**

Total does not match funding requested on Summary.

**Previous Development Experience**

Has the developer completed other residential development projects? Yes

How many housing development projects has the developer completed? 46

How many rental units has the developer been responsible for producing?

New Construction # units: 44 Rehab # units: 2

How many full-time equivalent staff does developer employ? 0

List most recently completed projects:

Project Name	Address	Construction Type	Tenure Type	Target Residents	# Units	Total Devel. Costs

If developer has been involved in residential development projects in some other capacity, please specify:

**Ongoing Management Experience, Structure & Capacity**

Who will perform property management? Developer/Owner will manage in-house

Name of management staff/company: \_\_\_\_\_

How many units is your staff or 3rd party mgt company currently managing? 52

How many HUD income-restricted units is your staff/mgt company currently managing? 50

Describe staff/mgt company's experience managing HUD income-restricted rental units.

FDLDC in-house property management has facilitated compliance with HUD requirements of income-restricted rental properties since the inception of our affordable rental developments; we are familiar with the required compliance reporting, period of affordability, income caps and rent cost to income ratios.

Describe how the roles of property management, asset management & ongoing compliance will be delegated.

FCIDC has a property manager who screens applicants for eligibility; a tenant service coordinator works with the tenants to monitor compliance and documentation for lease renewals.

### Affiliated Entities

List any legally affiliated entities (parent organization, subsidiaries, partnerships, etc.).

1. Name: \_\_\_\_\_ Fed. ID #: \_\_\_\_\_  
Relationship to Applicant: \_\_\_\_\_
2. Name: \_\_\_\_\_ Fed. ID #: \_\_\_\_\_  
Relationship to Applicant: \_\_\_\_\_
3. Name: \_\_\_\_\_ Fed. ID #: \_\_\_\_\_  
Relationship to Applicant: \_\_\_\_\_
4. Name: \_\_\_\_\_ Fed. ID #: \_\_\_\_\_  
Relationship to Applicant: \_\_\_\_\_

### Properties Currently Owned by Applicant & Affiliate Entities

On the worksheet "1a) Properties" enter all properties owned by the applicant and its affiliated entities. LFUCG will check each address for outstanding taxes, code violations, etc.

### G. Development Team Information

	Name	Address	Phone	Worked together previously?
Project Mgr:	Norman P. Franklin	148 DeWeese St., Lex. KY	859-254-6212	Yes
Contractor:	V & D Construction LLC	427 Elm Street, Lex. KY	859-983-2849	Yes
Consultant:				
Attorney:				
Tax Accountant:				
Architect:	Thomas Lett	3401 Sanibel Dr. #124, Lex. KY	859-252-4703	Yes
Engineer:	2020 Land Surveying	2216 Young Dr. Ste 7-B	859-268-1044	Yes
Property Mgr:				
Other:				

List subcontractors:

MBE or WBE?

1.	Cherryholmes Plumbing, Inc., 514 Lone Oak Rd., Lex, KY	
2.	Ron's Residential Service, 218 Doe Valley Rd., Houstonville, KY	
3.	Cherryholmes Plumbing, Inc., 514 Lone Oak Rd., Lex, KY	MBE
4.	Ware's Heating & Cooling, 1243 Lexington Rd., Georgetown, KY	
5.		

Are there any identities of interest between team members? (An identity of interest is a legal, financial, business, or familial relationship that may make it difficult for parties to act independently or "at arm's length" from one another.)

No

If yes, provide details of the relationship(s):

Is the Developer, Sponsor, or any other Development Team Member related to an Lexington Urban County Government elected official or employee?

No

If yes, provide details:

Is the Developer, Sponsor, or any other Development Team Member, including any of their owners, partners, or board members CURRENTLY debarred from Federal contracting opportunities by any agency of the Federal Government? (search at [www.sam.gov](http://www.sam.gov))

No

If yes, provide details:

Has the Developer, Sponsor, or any other Development Team Member listed on the previous page, including any of their owners, partners, or board members EVER been debarred from Federal contracting opportunities by any agency of the Federal Government?

No

If yes, provide details:

## H. Supportive Services Information

If you plan to provide supportive services to your tenants, please provide the following:

Description of the population to be served:

**Not Applicable**

Will participation in supportive services be mandatory? \_\_\_\_\_

Description of the services to be provided and how they will be provided:

**I. Relocation**

*Relocation is the moving of existing residential or commercial occupants from their current space.*

Was the property occupied at the time you obtained ownership? No

If vacant at purchase, how many months had it been vacant? 24

Will your development require any households to move temporarily? \_\_\_\_\_

# of households to move temporarily: \_\_\_\_\_

Will your plans require any occupants to move permanently? \_\_\_\_\_

# of households to move permanently: \_\_\_\_\_

Will your development require any commercial occupants to move? \_\_\_\_\_

# of commercial occupants to move: \_\_\_\_\_

If you answered yes to any of the above questions, describe your relocation plan.

Not Applicable

**J. Required Application Attachments** *(in addition to this Excel file)*

- |   |   |
|---|---|
| 1 Project Area Map                              | 8 Marketing Plan for Lease Up*                                  |
| 2 Proof of Site Control*                        | 9 Current Letters for Project Funding/Financing                 |
| 3 Plans, Specs, Drawing, Renderings*            | 10 Organizational or Personal Financial Statement               |
| 4 Market Study/Needs Assessment                 | 11 Organization's Annual Operating Budget or Audit (nonprofits) |
| 5 Appraisal Supporting Pricing for Acquisition* | 12 Plan/Description of Tenant Services*                         |
| 6 Staff Resumes/References                      | 13 Any info required by the LFUCG application or RFP.           |
| 7 Detailed Relocation Plan*                     |   |

*\*If Applicable. Some documents listed above may be submitted later in the funding process.*

**K. Applicant Certification**

I certify that submission of this application has been duly authorized by the governing body of the applicant and that all information contained in this application and its attachments is complete, true, and accurate to the best of my knowledge.

I certify that all forms of governmental assistance sought or already secured for this project are listed on the Sources & Uses section of this application. The applicant also certifies that should other governmental assistance be sought/secured in the future, applicant shall notify LFUCG promptly (within 5 business days)

I understand that awards will be made on a competitive basis and LFUCG may award an amount less than requested. I understand that LFUCG has no obligation to make a grant or loan to the applicant. I am aware that incomplete or late applications may not be accepted or considered for funding.

I further understand that submission of this application renders it a public document subject to the Freedom of Information Act.

**Applicant Signatures:**

**Owner, Developer, Executive Director:**

**Chief Elected Officer Signature** (Board Chair)

Norman P. Franklin  
*Printed Name*

Porter G. Peoples, Sr.  
*Printed Name*

\_\_\_\_\_  
*Signature*

\_\_\_\_\_  
*Signature*

VP/Dev. Mgr.  
*Title*

Board Chair  
*Title (Board Chair, President, etc.)*

05/22/18  
*Date*

\_\_\_\_\_  
*Date*



**Addendum to Application Form**

Project: **FCLDC Ash Street CHDO Project**

Project #: **0**

◆ **Properties Included in the Project Site(s)**

	Street Address	Zip	Parcel #	Form of Site Control	Acquisition Price <i>(actual or anticipated)</i>	Date of Appraisal
1	466 Ash Street	40508		Deed	\$20,000	
2	468 Ash Street	40508		Deed	\$20,000	
3						
					<b>\$40,000</b>	

◆ **Code Violations and/or Outstanding Taxes**

If you are aware of code violations and/or outstanding taxes on properties located in LFUCG that are owned by your organization or by affiliates, please describe such issues below and explain how you are addressing them.

None - new construction

◆ **Other Properties Currently Owned by Applicant**

Enter all properties in LFUCG owned by the applicant and its affiliated entities that are located inside LFUCG. LFUCG Government will check addresses for outstanding taxes, code violations, etc. If the form below does not offer enough space, you may submit a complete list to LFUCG in a separate document.

	Street Address	Zip	Parcel #
1	359 Chestnut Street	40508	
2	417 Chestnut Street	40508	
3	421 Chestnut Street	40508	
4	440 Chestnut Street	40508	
5	445 Chestnut Street	40508	
6	513 Chestnut Street	40508	
7	517 Chestnut Street	40508	
8	521 Chestnut Street	40508	
9	522 Chestnut Street	40508	
10	548 Chestnut Street	40508	
11	565 Chestnut Street	40508	
12	313 Corral Street	40508	
13	314 Corral Street	40508	
14	318 Corral Street	40508	
15	319 Corral Street	40508	

◆ **Properties Currently Owned by Affiliate Entities**

Affiliate Entity 1: **0**

	Street Address	Zip	Parcel #
1	320 Corral Street	40508	
2	321 Corral Street	40508	
3	322 Corral Street	40508	
4	327 Corral Street	40508	
5	334 Corral Street	40508	
6	363 Corral Street	40508	
7	365 Corral Street	40508	
8	367 Corral Street	40508	
9	368 Corral Street	40508	

10	369 Corral Street	40508	
11	374 Corral Street	40508	
12	315 E. Second Street	40508	
13	319 E. Second Street	40508	
14	348 E. Second Street	40508	
15	316 Gunn Street	40508	

**Affiliate Entity 2: 0**

	Street Address	Zip	Parcel #
1	320 Gunn Street	40508	
2	365 Ohio Street	40508	
3	438 Ohio Street	40508	
4	212 Rand Avenue	40508	
5	224 Rand Avenue #101	40508	
6	224 Rand Avenue # 102	40508	
7	224 Rand Avenue # 103	40508	
8	317 Robertson Street	40508	
9	321 Robertson Street	40508	
10	433 Georgetown Street	40508	
11	442 Georgetown Street	40508	
12	448 Georgetown Street	40508	
13	916 Georgetown Street	40508	
14	230 Eastern Avenue	40508	
15	471 N. Upper Street	40508	

**Affiliate Entity 3: 0**

	Street Address	Zip	Parcel #
1	1665 Konner Woods Drive	40511	
2	500 Rain Garden Way	40511	
3	569 Chestnut St	40508	
4	814 Charles Avenue	40508	
5	434 Chestnut	40508	
6	436 Chestnut	40508	
7	209 Eastern Ave	40508	
8	211 Eastern Ave.	40508	
9			
10			

# FCLDC Ash Street CHDO Project Underwriting Criteria & HOME Limits

	PJ Guidelines		Notes	Applicant's #	Compare to Guideline
	Min	Max			
<b>Vacancy Rates</b>					
Vacancy Rate for 11 Units or Less	10.0%		Can increase with justification	48.0%	Matches
Vacancy Rate Year 1-3	7.0%		Default is 7% applicant may modify with justification	7.0%	Matches
Vacancy Rate Year 4-15	7.0%			7.0%	Matches
<b>Rent Inflation</b>					
Minimum					
Rent Inflation Rate Years 1-3	2.0%		Default is 3% applicant may modify with justification	2.0%	Matches
Rent Inflation Rate Years 4+	2.0%			2.0%	Matches
<b>Operating Cost Inflation Rates</b>					
Minimum					
Administrative	3.0%			3.0%	Matches
Operating/Maintenance	3.0%		Default is 5% applicant may modify with justification	3.0%	Matches
Utilities	3.0%			3.0%	Matches
Taxes/Insurance	3.0%			3.0%	Matches
<b>Reserve For Replacement</b>					
Rehab & New Const.					
Rehabilitation	\$325			3.0%	Matches
New Construction	\$215		Minimum per Unit per Year based on availability applicant may increase	\$215	Matches
<b>Operating Costs</b>					
Minimum					
Management Fee					
Annual Operating Costs Per Unit				0.0%	Lower
Property Insurance (Per Unit Per Year)				\$2,244	Out of Range
				\$871	Higher
<b>Development &amp; Construction Costs</b>					
Minimum					
Construction Contingency				2.85%	Lower
Operating Deficit Reserve				\$15,955	Higher
Developer Fee				0.00%	Lower
Developer Fee - Habitat for Humanity				0.00%	Matches
<b>Debt Coverage Ratio</b>					
Minimum					
Debt Coverage Ratio Year 1	1.203			1.203	Higher
Lowest Allowed DCR for all 15 Years	1.20			1.20	Higher
<b>Deferred Developer Fee Repayment</b>					
Deferred fee repaid within 10 years (if applicable)?					
				Yes	Yes

## HOME Rent & Subsidy Limits

(Published Annually by HUD)

HOME GROSS Rent Limits		HOME 221(d)(3) Per Unit Subsidy Limits		HOME Income Limits	
Bedroom Type	Low-HOME	High-HOME	FMR	Bedroom Type	Per Unit Subsidy Limit
0 BR	\$839	\$939	\$1039	0 BR	\$741,000
1 BR	\$839	\$939	\$1039	1 BR	\$1,017,000
2 BR	\$719	\$770	\$833	890	\$1,017,000
3 BR	\$671	\$719	\$770	3 BR	\$684,453
4 BR	\$1,077	\$1,300	\$1,622	4 BR	\$279,288

Household Size (persons)	HOME 60% HUD AMI Income Limit
1	\$29,000
2	\$31,100
3	\$33,000
4	\$35,600
5	\$37,700
6	\$40,800



**Applicant Notes**

**PJ Subsidy Layering & Underwriting Summary**

**1. General Justification for Funding:**

a. How does the project fit with the ConPlan, housing strategies, etc.?

FCLDC is the primary active CHDO for Lexington. They have a long history of constructing affordable rental units.

The increase of housing choices, and inventory of housing available to the low income market is high priority for the 2015 five year strategic plan and particularly for the children, teens and young adults population in the development of affordable housing.

**2. Why is the project needed?**

Affordable housing, especially for low income renters, is a need in Lexington.

**3. Examine the sources & uses and operating proforma.**

a. Are costs reasonable (necessary & sufficient)?

Yes

b. How was this determined?

Estimated costs were reviewed internally.

c. Has adequate funding been secured?

Yes

d. What is the status of other funding sources?

All funding is secured.

e. Describe the evidence that the project can operate sustainably through the compliance period?

DOR is providing a grant to the project and there is enough project income to cover project expenses during the compliance period.

f. Concerns & Other info:

None

**4. Assess neighborhood market conditions:**

a. What supports proposed rents?  
b. What supports lease up within 10 months?

These are market rate rents.

There is a high need for affordable housing in Lexington.

c. Concerns & Other info:

None

**5. Assess the capacity of the development team:**

a. Completed similar projects successfully?

Yes

b. Any problem projects current or past?

None

c. Describe the evidence that developer(s) are financially stable:

Developer has an established record of completing projects and has successfully developed and sold property in the past.

d. Describe the evidence that team staff is sufficient & qualified:

FCLDC is certified as a CHDO with qualified staff as evidenced in the certification application on file.

e. Concerns & Other info:

None

**6. Assess the capacity of ongoing management:**

a. Is there evidence they are managing similar properties successfully?

Yes - per marketing records.

b. Any problem properties current or past?

None

c. Concerns & Other info:

None

**7. Assess project risks.**

a. Is project likely to be completed in a timely manner? Why?

Yes - FCLDC moves very quickly.

b. Any foreseeable obstacles to completion?

No, the market is very active and healthy in Lexington.

c. How will LFUCG mitigate risk?

LFUCG has a strong track record of managing development projects and organization to ensure the developer has the capacity to complete the project. LFUCG also monitors also reduce risk.

d. Concerns & Other info:

None

**8. What contingencies should be placed on LFUCG funding?**

Monitor construction progress and pay per percentage of completion.

**9. CURRENT RECOMMENDATION FOR FUNDING:**

\$269,939 for 2016-2017 and 2017-2018.

Underwriting performed by:

Suzie Lovelady  
Printed Name

Grants Manager  
Title

5/22/2016  
Date



**SOFT COSTS**

Bridge Loan Fees	\$0	\$0	
Bridge Loan Legal Fees	\$0	\$0	
Building Permits/Fees	\$6,400	\$1,600	
Construction Credit Enhancement	\$0	\$0	
Construction Financing Fees	\$3,953	\$988	
Construction Hazard Insurance	\$0	\$0	
Construction Interest	\$3,995	\$999	
Construction Legal Fees	\$0	\$0	
Construction Liability Insurance	\$0	\$0	
Construction Loan Points	\$0	\$0	
Construction Title and Recording	\$0	\$0	
Other Construction Finance Fees	\$0	\$0	
Permanent Credit Enhancement	\$0	\$0	
Permanent Financing Fees	\$0	\$0	
Permanent Legal Fee	\$0	\$0	
Permanent Loan Points	\$0	\$0	
Permanent Title and Recording	\$0	\$0	
KHC SMAL Loan Origination Fee (1% of loan amount)	\$0	\$0	
Other Permanent Loan Financing Fees	\$0	\$0	
Accounting Fees	\$0	\$0	
Architect Fees	\$750	\$188	
Engineering Fees	\$0	\$0	
Escrows	\$0	\$0	
Operating Deficit Reserve (MUST identify source)	\$15,955	\$3,989	\$15,682 Minimum Source of Operating Deficit Reserve
Rent Up Reserves	\$0	\$0	
Replacement Reserve Deposit	\$0	\$0	
	\$0	\$0	
	\$0	\$0	
	\$0	\$0	
Syndication Legal Fees	\$0	\$0	
Syndication Organization Expenses	\$0	\$0	
Other Syndication Expenses	\$0	\$0	
Relocation	\$0	\$0	
Appraisal	\$1,000	\$250	
Market Study	\$0	\$0	
Environmental Study	\$0	\$0	
Lead-Based Paint Assessment and Testing	\$0	\$0	
Survey	\$1,800	\$450	
Capital Needs Assessment	\$0	\$0	
Marketing	\$0	\$0	
Property Taxes	\$0	\$0	
Cost Certification	\$0	\$0	
Asset Management Fee	\$0	\$0	
KHC Tax Credit Application Fees	\$0	\$0	
KHC Tax Credit Reservation Fee (7% of HC allocation)	\$0	\$0	
KHC Tax Credit Inspection Fee (0.2% of HC allocation)	\$0	\$0	
Non-KHC Tax Credit Fees	\$0	\$0	
	\$0	\$0	
	\$0	\$0	
	\$6,390	\$1,598	
Consulting Fee	\$0	\$0	Total Dev. & Consulting Fees:
Developer Fee	\$0	\$0	0.00% of TDC
AHTF-Paid Developer Fee (Limit 5% of AHTF request)	\$0	\$0	
<b>TOTAL SOFT COSTS</b>	<b>\$40,243</b>	<b>\$10,061</b>	<b>\$40,243</b> 5.76% of TDC
<b>TOTAL DEVELOPMENT COSTS</b>	<b>\$698,893</b>	<b>\$174,723</b>	<b>\$698,893</b>





<u>2 Bedroom Units</u>	# of Units	Rent Restriction Program	Housing Credit Unit(s)?	Project Based Rental Assistance if applicable	Income Restriction	# of Baths	Square Footage	Proposed Contract Rent (excludes utility allowance)	Monthly Rent	Annual Rent
	0								\$0	\$0
<b>Subtotal</b>	0								\$0	\$0

<u>3 Bedroom Units</u>	# of Units	Rent Restriction Program	Housing Credit Unit(s)?	Project Based Rental Assistance if applicable	Income Restriction	# of Baths	Square Footage	Proposed Contract Rent (excludes utility allowance)	Monthly Rent	Annual Rent
	3								\$2,496	\$29,952
<b>Subtotal</b>	3								\$2,496	\$29,952

<u>4 Bedroom Units</u>	# of Units	Rent Restriction Program	Housing Credit Unit(s)?	Project Based Rental Assistance if applicable	Income Restriction	# of Baths	Square Footage	Proposed Contract Rent (excludes utility allowance)	Monthly Rent	Annual Rent
	1								\$949	\$11,388
<b>Subtotal</b>	1								\$949	\$11,388

<b>Project Totals</b>		Monthly	Annual
Residential Units:	4		
Square Footage of Residential Unit	6,336	<b>\$3,445</b>	<b>\$41,340</b>
Commercial Square Footage:		Per Unit Average Rent	\$861
Common Area(s) Square Footage		# Housing Credit Units	0
<b>Total Square Footage:</b>	<b>6,336</b>	Square Footage of Housing Credit Units	

**Rental Assistance**  
 Is project-based rental assistance (RA) provided?  No  Yes **Source of RA:**  RA  Other **No. Units Receiving RA:**  0  1  2  3  4  5

<b>Other Income</b>	(These will be trended at the same rate as rents on the Operating Proforma)				
	Year 1	Year 2	Year 3	Year 4	Year 5
Rent from Commercial Space					
Interest					
Laundry					
Parking					
Tenant Charges (late fees, insufficient funds fees, etc.)					
Other (Identify)					
<b>Total Other Income:</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

<b>Annual Operating Subsidies</b>	Year 1	Year 2	Year 3	Year 4	Year 5
Source 1:					
Source 2:					
Source 3:					
<b>Total Operating Subsidy:</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

# FCLDC Ash Street CHDO Project ANNUAL OPERATING EXPENSES

FCLDC Ash Street CHDO Project  
0

Units:  
Target population:

4  
Family

Administrative	Total	Per Unit	% of Total	% EGI
Accounting Services		\$0	0.0%	
Administrative Rent Free Unit(s)		\$0	0.0%	
Advertising		\$0	0.0%	
KHC Compliance Monitoring Fees		\$0	0.0%	
Compliance Fees (Other)		\$0	0.0%	
Asset Management Fee		\$0	0.0%	
Legal Auditing		\$0	0.0%	
Management Fee		\$0	0.0%	0.0%
Manager(s) Salaries	\$1,930	\$263	11.7%	
Office Salaries		\$0	0.0%	
Office Supplies	\$250	\$63	2.8%	
Telephone	\$330	\$83	3.7%	
Other: Please identify		\$0	0.0%	
<b>Total Administrative</b>	<b>\$1,630</b>	<b>\$408</b>	<b>18.2%</b>	
<b>Operating/Maintenance</b>				
Elevator Maintenance/Contract		\$0	0.0%	
Exterminating Contract	\$672	\$84	3.7%	
Grounds Expense		\$0	0.0%	
Janitorial Services		\$0	0.0%	
Repairs/Maintenance	\$1,725	\$436	19.4%	
Security Payroll/Contract		\$0	0.0%	
Waste Collection		\$0	0.0%	
Other: Please identify		\$0	0.0%	
<b>Total Operating/Maintenance</b>	<b>\$2,077</b>	<b>\$519</b>	<b>23.1%</b>	
<b>Utilities</b>				
Electricity	\$980	\$125	5.6%	
Gas		\$0	0.0%	
Sewer	\$250	\$63	2.8%	
Water	\$850	\$88	3.9%	
Other: Please identify		\$0	0.0%	
<b>Total Utilities</b>	<b>\$1,100</b>	<b>\$275</b>	<b>12.3%</b>	
<b>Taxes/Insurance</b>				
Property Insurance	\$8,484	\$871	38.8%	
Other Insurance	\$684	\$171	7.6%	
Payroll Taxes		\$0	0.0%	
Real Estate Taxes		\$0	0.0%	
Workmen's Comp.		\$0	0.0%	
Other: Please identify		\$0	0.0%	
<b>Total Taxes/Insurance</b>	<b>\$4,168</b>	<b>\$1,042</b>	<b>46.4%</b>	
<b>Total Operating Expenses</b>	<b>\$8,975</b>	<b>\$2,244</b>	<b>100.0%</b>	

**Annual Replacement Reserve Contribution:**                      **\$1,300**                      **\$325**  
(From Sheet "0")Underwriting Criteria")

	Tenant Utilities	Responsible Party
Who will be responsible for tenant utilities? Does not include common areas.	Electricity	Tenant
	Gas	Tenant
	Water	Tenant
	Sewer	Tenant
	Other:	Tenant

**FCLDC Ash Street CHDO Project  
Operating Proforma**

Project: FCLDC Ash Street CHDO Project  
Project #: 0  
Compliance Period: 15 years

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
<b>REVENUE</b>										
Gross Rent Potential	\$41,340	\$42,167	\$43,010	\$43,870	\$44,748	\$45,643	\$46,556	\$47,487	\$48,436	\$49,405
Vacancy Rate	\$4,134	\$4,217	\$4,301	\$4,387	\$4,475	\$4,564	\$4,656	\$4,749	\$4,844	\$4,941
Adjusted Gross Income	\$37,206	\$37,950	\$38,709	\$39,483	\$40,273	\$41,078	\$41,900	\$42,738	\$43,593	\$44,465
Other Income	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Operating Subsidies or Draw from Reserve	\$37,206	\$37,950	\$38,709	\$39,483	\$40,273	\$41,078	\$41,900	\$42,738	\$43,593	\$44,465
Effective Gross Income (Net Income)	\$9,302	\$9,488	\$9,677	\$9,871	\$10,068	\$10,270	\$10,475	\$10,684	\$10,898	\$11,116
Per Unit										
<b>OPERATING EXPENSES</b>										
Administrative	\$1,630	\$1,679	\$1,729	\$1,781	\$1,835	\$1,890	\$1,946	\$2,005	\$2,065	\$2,127
Operating/Maintenance	\$2,077	\$2,139	\$2,203	\$2,270	\$2,338	\$2,408	\$2,480	\$2,554	\$2,631	\$2,710
Utilities	\$1,100	\$1,133	\$1,167	\$1,202	\$1,238	\$1,275	\$1,313	\$1,353	\$1,393	\$1,435
Taxes/Insurance	\$4,168	\$4,293	\$4,422	\$4,554	\$4,691	\$4,832	\$4,977	\$5,126	\$5,280	\$5,438
Total Operating Expenses	\$8,975	\$9,244	\$9,522	\$9,807	\$10,101	\$10,404	\$10,717	\$11,038	\$11,369	\$11,710
Per Unit	\$2,244	\$2,311	\$2,380	\$2,452	\$2,525	\$2,601	\$2,679	\$2,760	\$2,842	\$2,928
Reserve For Replacement	\$1,300	\$1,339	\$1,379	\$1,421	\$1,463	\$1,507	\$1,552	\$1,599	\$1,647	\$1,696
Net Operating Income (NOI)	\$26,931	\$27,367	\$27,808	\$28,256	\$28,708	\$29,167	\$29,631	\$30,101	\$30,577	\$31,058
Per Unit	\$6,733	\$6,842	\$6,952	\$7,064	\$7,177	\$7,292	\$7,408	\$7,525	\$7,644	\$7,765
<b>DEBT SERVICE</b>										
KHC HOME amortizing										
AHTF, amortizing										
SMAL										
Risk Sharing										
LFUGG HOME Development Subsidy										
Other LFUGG Development Subsidy										
FCLDC										
Cumberland Valley National Bank										
Non-KHC loan (Identify): Bank Construction loan										
Total Debt Service	\$22,389	\$22,389	\$22,389	\$22,389	\$22,389	\$22,389	\$22,389	\$22,389	\$22,389	\$22,389
Debt Coverage Ratio (DCR)	1.20	1.22	1.24	1.26	1.28	1.30	1.32	1.34	1.37	1.39
<b>CASH FLOW</b>										
Per Unit	\$4,542	\$4,977	\$5,419	\$5,866	\$6,319	\$6,777	\$7,242	\$7,712	\$8,187	\$8,669
<i>Please Manually Input:</i>										
Expenses Subject to Available Cash Flow (Identify below)										
Cash Flow Loan or M2M Repayment										
Remaining Cash Flow	\$4,542	\$4,977	\$5,419	\$5,866	\$6,319	\$6,777	\$7,242	\$7,712	\$8,187	\$8,669
Deferred Developer Fee Repayment	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Balance of Deferred Dev. Fee	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<b>Net Final Cash Flow</b>	\$4,542	\$4,977	\$5,419	\$5,866	\$6,319	\$6,777	\$7,242	\$7,712	\$8,187	\$8,669
Per Unit	\$1,135	\$1,244	\$1,355	\$1,467	\$1,580	\$1,694	\$1,810	\$1,928	\$2,047	\$2,167
Unpaid Developer Fee after Year 10:	\$0									
Unpaid Cash Flow Loan after Year 15:	\$0									

Expenses Subject to Available Cash Flow:  
(Asset Mgt. Fee, Investor Fees, etc.)

**FCLDC Ash Street CHDO Project  
Operating Proforma**

	Year 11	Year 12	Year 13	Year 14	Year 15	Year 16	Year 17	Year 18	Year 19	Year 20
<b>REVENUE</b>										
Gross Rent Potential	\$50,393	\$51,401	\$52,429	\$53,478	\$54,547	\$55,638	\$56,751	\$57,886	\$59,044	\$60,225
Vacancy Rate	\$5,039	\$5,140	\$5,243	\$5,348	\$5,455	\$5,564	\$5,675	\$5,789	\$5,904	\$6,022
Adjusted Gross Income	\$45,354	\$46,261	\$47,186	\$48,130	\$49,093	\$50,074	\$51,076	\$52,097	\$53,139	\$54,202
Other Income	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Operating Subsidies or Draw from Reserve	\$45,354	\$46,261	\$47,186	\$48,130	\$49,093	\$50,074	\$51,076	\$52,097	\$53,139	\$54,202
<b>Effective Gross Income (Net Income)</b>	\$11,338	\$11,565	\$11,797	\$12,032	\$12,273	\$12,519	\$12,769	\$13,024	\$13,285	\$13,551
<i>Per Unit</i>										
<b>OPERATING EXPENSES</b>										
Administrative	\$2,191	\$2,256	\$2,324	\$2,394	\$2,466	\$2,539	\$2,616	\$2,694	\$2,775	\$2,858
Operating/Maintenance	\$2,791	\$2,875	\$2,961	\$3,050	\$3,142	\$3,236	\$3,333	\$3,433	\$3,536	\$3,642
Utilities	\$1,478	\$1,523	\$1,566	\$1,615	\$1,664	\$1,714	\$1,765	\$1,818	\$1,873	\$1,929
Taxes/Insurance	\$5,601	\$5,769	\$5,943	\$6,121	\$6,304	\$6,494	\$6,688	\$6,889	\$7,096	\$7,309
<b>Total Operating Expenses</b>	\$12,062	\$12,423	\$12,796	\$13,180	\$13,575	\$13,983	\$14,402	\$14,834	\$15,279	\$15,738
<i>Per Unit</i>	\$3,015	\$3,706	\$3,199	\$3,295	\$3,394	\$3,496	\$3,601	\$3,709	\$3,820	\$3,934
Reserve For Replacement	\$1,747	\$1,800	\$1,853	\$1,909	\$1,966	\$2,025	\$2,086	\$2,149	\$2,213	\$2,280
<b>Net Operating Income (NOI)</b>	\$31,545	\$32,038	\$32,537	\$33,041	\$33,551	\$34,066	\$34,588	\$35,114	\$35,647	\$36,185
<i>Per Unit</i>	\$7,886	\$8,009	\$8,134	\$8,260	\$8,388	\$8,517	\$8,647	\$8,779	\$8,912	\$9,046
<b>DEBT SERVICE</b>										
KHC HOME - amortizing										
AHTF - amortizing										
SMAL										
Risk Sharing										
LFUCG HOME Development Subsidy										
Other LFUCG Development Subsidy										
FCLDC										
Cumberland Valley National Bank										
Non-KHC loan - (Identify) Bank Construction loan										
<b>Total Debt Service</b>	\$22,389	\$22,389	\$22,389	\$22,389	\$22,389	\$22,389	\$22,389	\$22,389	\$22,389	\$22,389
<i>Per Unit</i>	1.41	1.43	1.45	1.48	1.50	1.52	1.54	1.57	1.59	1.62
Debt Coverage Ratio (DCR)										
<b>CASH FLOW</b>										
<i>Per Unit</i>	\$9,156	\$9,649	\$10,147	\$10,651	\$11,161	\$11,677	\$12,198	\$12,725	\$13,257	\$13,795
Expenses Subject to Available Cash Flow (Identify below)	\$2,289	\$2,412	\$2,537	\$2,663	\$2,790	\$2,919	\$3,050	\$3,181	\$3,314	\$3,449
Cash Flow Loan or M2M Repayment										
Remaining Cash Flow	\$9,156	\$9,649	\$10,147	\$10,651	\$11,161	\$11,677	\$12,198	\$12,725	\$13,257	\$13,795
Deferred Developer Fee Repayment	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Balance of Deferred Dev. Fee	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<b>Net Final Cash Flow</b>	\$9,156	\$9,649	\$10,147	\$10,651	\$11,161	\$11,677	\$12,198	\$12,725	\$13,257	\$13,795
<i>Per Unit</i>	\$2,289	\$2,412	\$2,537	\$2,663	\$2,790	\$2,919	\$3,050	\$3,181	\$3,314	\$3,449
Unpaid Developer Fee after Year 10:	\$0									
Unpaid Cash Flow Loan after Year 15:	\$0									

## FCLDC Ash Street CHDO Project HOME Compliance Checks & Cost Allocation

<b>HOME Compliance</b>	<b>Total</b>	<b>Per Unit</b>
HOME Permanent Subsidy Requested	\$269,332	\$67,333
HOME from KHC	\$0	\$0
<b>Total HOME Funds Requested (Local &amp; State)</b>	<b>\$269,332</b>	<b>\$67,333</b>
HOME Subsidy as % of Total Development Costs	38.5%	
Total Units	4	

<b>Required HOME Units</b>	<b>HOME Requirement</b>	<b># of HOME Units Entered on Sheet "3)Income"</b>
# of HOME-Assisted Units	2	4
# of Low HOME Units Required	0	0
HOME Subsidy Per Unit	\$134,666	\$67,333

**Minimum HOME Affordability Period** *Rehab & New Const.* **15 years**

<b>Breakdown of HOME Units Required by Bedroom Type:</b>			<b>Required HOME Units (Estimated)</b>
Bedrooms	# of Units	HOME as % TDC	
0 Bedroom	0	38.5%	0.0
1 Bedroom	0	38.5%	0.0
2 Bedroom	0	38.5%	0.0
3 Bedroom	3	38.5%	1.2
4 Bedroom	1	38.5%	0.4
<b>Total</b>	<b>4</b>	<b>Rounded Total:</b>	<b>2.0</b>

<b>Actual Breakdown of HOME Units:</b> <i>(Must match or exceed requirements listed above.)</i>			
Bedroom Type	# High HOME Units	# Low HOME Units	Total
0 Bedroom	0	0	0
1 Bedroom	0	0	0
2 Bedroom	0	0	0
3 Bedroom	3	0	3
4 Bedroom	1	0	1
<b>Total</b>	<b>4</b>	<b>0</b>	<b>4</b>

<b>HOME Subsidy Limits:</b>		<b>HUD HOME 221(d)(3) Subsidy Limit</b>	<b>Gross Maximum per Unit Limit</b>
Bedroom Type	# Units		
0 Bedroom	0	\$141,089	\$0
1 Bedroom	0	\$161,738	\$0
2 Bedroom	0	\$196,673	\$0
3 Bedroom	3	\$254,431	\$763,293
4 Bedroom	1	\$279,286	\$279,286
	<b>4</b>	<b>Max HOME Allowed</b>	<b>\$1,042,579</b>
		HOME Funds Requested	\$269,332
		<b>Within Limits?</b>	<b>Yes</b>

## **Exhibit 2**

### **Sample Deed Restriction**

**EXHIBIT 2**

**Page 1 of 8**

**DEED AND DECLARATION OF RESTRICTIVE COVENANTS**

**THIS DEED AND DECLARATION OF RESTRICTIVE COVENANTS** is made this \_  
\_\_\_\_ day of \_\_\_\_\_, \_\_\_\_\_, by and between **FAYETTE COUNTY  
LOCAL DEVELOPMENT CORPORATION**, A Kentucky Private Nonprofit Corporation, 148  
Deweese Street; Lexington, Fayette County, Kentucky 40507 ("Declarant/Owner"), owner of  
certain real property in Lexington, Fayette County and the **LEXINGTON-FAYETTE URBAN  
COUNTY GOVERNMENT**, an urban county government of the Commonwealth of Kentucky  
pursuant to Chapter 67A of the Kentucky Revised Statutes, 200 East Main Street, Lexington,  
Fayette County, Kentucky 40507 ("Government").

**WITNESSETH:**

**WHEREAS**, the Declarant/Owner is the owner of certain real property located at \_\_\_\_\_  
\_\_\_\_\_, Lexington (Fayette County) Kentucky and more  
particularly described in Exhibit A which is attached hereto and incorporated herein by reference  
("site"); and

**WHEREAS**, the Government, through its HOME Program, works to increase the supply of  
affordable, standard residential rental units to low and very low income households by providing  
development funds to Community Housing Development Organizations; and

**WHEREAS**, said Government, through its HOME Program, has recognized  
Declarant/Owner as a Community Housing Development Organization and has committed HOME  
funds to Declarant/Owner to increase affordable residential rental units for low-income households  
in Fayette County;

**WHEREAS**, Declarant/Owner has committed the herein described HOME funds for the  
purposes of constructing housing units for operation as rental units to low-income households;

**EXHIBIT 2**

**Page 2 of 8**

**WHEREAS**, said Government program is being conducted pursuant to the HOME Investment Partnerships Program of the United States Department of Housing and Urban Development ("HUD") which requires, as a condition of receipt of funds thereunder, that Restrictive Covenants, running with the land in conformance with the eligibility and affordability provisions of the program, be declared and filed of record as to each property developed with program funds; and

**WHEREAS**, the Declarant/Owner has committed federal funds pursuant to the Government's HOME Program and HUD's HOME Investment Partnership Program for the construction of a new affordable rental unit on the herein described sites, and in consideration of such loan intends to establish covenants, conditions and restrictions running with the land to comply with the requirements of the HOME program;

**NOW, THEREFORE**, the Declarant/Owner, for its assigns, subsequent purchasers, lessees and successors in interest hereby declares that the site is and shall be held transferred, sold, conveyed and occupied, subject to the conditions, restrictions and reservations hereinafter set out, which are hereby established and declared to be covenants running with the land:

**1. RESTRICTED USES:**

(a) The site shall be maintained solely as residential property and shall be rented to low income households by Declarant/Owner and its assigns, subsequent purchasers, lessees and successors in interest. Low income households are those households with gross incomes at or below sixty percent (60%) of the median income for the community.

(b) Declarant/Owner and its assigns, subsequent purchasers, lessees and successors in interest shall charge rents no higher than high HOME rents as established from time to time by HUD pursuant to any regulations promulgated by HUD or the Government. The rents so charged must include utility costs. The maximum allowable HOME rent must be reduced by a utility



**EXHIBIT 2**

**Page 3 of 8**

allowance approved by Government if tenant is required to pay separately for utilities. Utility allowances approved by Government may vary as periodic adjustments are made. Should HUD revise these or other rent guidelines set out herein so as to permit Declarant/Owner and its assigns, subsequent purchasers, lessees and successors in interest to adjust the rent charged, Declarant/Owner and its assigns, subsequent purchasers, lessees and successors in interest must provide tenants with no less than thirty (30) days written notice before adjustments are implemented.

(c) The family size and the gross income for all tenants must be determined at the time of initial occupancy and annually for the duration of these covenants. Declarant/Owner and its assigns, subsequent purchasers, lessees and successors in interest shall obtain and verify income and family size information from each tenant upon initial rent up and annually during the duration of these covenants. Declarant/Owner and its assigns, subsequent purchasers, lessees and successors in interest shall provide information on family size, gross income and rent charged for all tenants to the Government within sixty (60) days after the initial rent up and the annual review date. Declarant/Owner and its assigns, subsequent purchasers, lessees and successors in interest shall obtain any necessary releases from tenant to allow Government to independently verify the information provided.

(d) The Declarant/Owner and its assigns, subsequent purchasers, lessees and successors in interest shall, on an annual basis, for the duration of these covenants, review the income, family size and exclusions of all tenants and determine if any are over-income. An over-income tenant is a household with a gross income exceeding eighty percent (80%) of the median for the community. Declarant/Owner and its assigns, subsequent purchasers, lessees and successors in interest shall not evict over-income tenants based on income. Declarant/Owner and its assigns, subsequent

## EXHIBIT 2

Page 4 of 8

purchasers, lessees and successors in interest shall increase the rent of the site to not less than thirty percent (30%) of the households adjusted gross income, except tenants of HOME-assisted units that have been allocated low-income housing tax credits by a housing credit agency pursuant to Section 42 of the Internal Revenue Code of 1986 (26 U.S.C. 42) must pay rent governed by Section 42. Units vacated by an over-income tenant must be rented to an income-eligible tenant for the duration of these covenants.

(e) No sale of the site shall be completed without giving notice to the Government in writing at least ten (10) days prior to the closing.

### 2. DURATION

The covenants and restrictions herein established shall be a covenant running with the land and shall be effective from the date of project completion, established as the date the HUD Cash Management System accepts and records the Completion report showing that one hundred percent (100%) of the units assisted by this Loan have been rented to low-income households, for a period of twenty (20) years and shall be binding upon the Declarant/Owner, its assigns, subsequent purchasers, lessees and successors in interest and all parties and persons claiming under them during the term hereof.

It is intended and agreed that the Government and its successors and assigns and the United States of America shall be deemed a beneficiary of the covenant provided, both for and in their or its own right and also for the purpose of protecting the interest of the community and other parties, public or private, in whose favor or for whose benefits such agreements or covenants have been provided. Said covenant shall run in favor of the Government and the United States for the duration of these covenants. The Government and the United States shall have the right, in the event of any breach of any such covenant, to exercise all the rights and remedies, and to maintain any actions or suits at law or in equity or other proper proceedings to enforce the curing of such

**EXHIBIT 2**

**Page 5 of 8**

breach of agreement or covenant, or to collect the full amount of any disbursement made to Declarant/Owner, to which it or any other beneficiaries of such agreement or covenant may be entitled.

**3. PURCHASER AT FORECLOSURE:**

During the term hereof, should any mortgage or deed of trust be foreclosed on the site, then the title acquired by such foreclosure, and the person or persons who thereby and thereafter become the owner or owners of such property, shall be subject to and bound by all the restrictions, conditions and covenants set forth in this instrument. In the event of foreclosure by, acceptance of deed-in-lieu of foreclosure by, or assignment any Superior Mortgage(s) to the U.S. Department of Housing and Urban Development (HUD) all restrictions relating to affordable housing programs provided for in this Deed and Declaration of Restrictive Covenants or provided for in any other document related to this transaction shall automatically and permanently terminate and shall have no further force to or effect on subsequent owners or purchasers of the Property.

**4. FUTURE DEEDS:**

Declarant/Owner, its assigns, subsequent purchasers, lessees and successors in interest agree that all of the covenants, conditions and restrictions contained in this deed shall be inserted in full in all future deeds of the site during the term hereof.

**5. SEVERABILITY OF PROVISIONS:**

Invalidation of any one of these provisions by judgment or Court order shall not affect any other provisions which shall remain in effect.

**IN WITNESS WHEREOF**, Declarant/Owner, and Government have executed this Deed and Declaration of Restrictive Covenants effective as of the day and year first above written.

**FAYETTE COUNTY LOCAL DEVELOPMENT CORPORATION**

**EXHIBIT 2**  
**Page 6 of 8**

**BY:** \_\_\_\_\_

**ITS:** \_\_\_\_\_

**LEXINGTON-FAYETTE URBAN  
COUNTY GOVERNMENT**

**BY:** \_\_\_\_\_  
**JIM GRAY, MAYOR**

State of Kentucky)  
                                  )SCT  
County of Fayette)

The foregoing instrument was subscribed, sworn to, and acknowledged before me this the \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_, by \_\_\_\_\_, as \_\_\_\_\_ of Fayette County Development Corporation, a Kentucky Private Nonprofit Corporation, by and on behalf of the Company.

My Commission Expires: \_\_\_\_\_

\_\_\_\_\_  
NOTARY PUBLIC, STATE AT LARGE, KENTUCKY

State of Kentucky)  
                                  )SCT  
County of Fayette)

The foregoing instrument was subscribed, sworn to, and acknowledged before me this the \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_, by Jim Gray, as Mayor of the Lexington-Fayette Urban County Government.

My Commission Expires: \_\_\_\_\_

\_\_\_\_\_  
NOTARY PUBLIC, STATE AT LARGE, KENTUCKY

Prepared by:

**EXHIBIT 2**  
**Page 7 of 8**

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Melissa Moore Murphy  
Attorney Senior  
Lexington-Fayette Urban County Government  
Department of Law  
200 East Main Street  
11th Floor  
Lexington, Kentucky 40507

**EXHIBIT 2**  
**Page 8 of 8**

**Exhibit A**  
**Legal Descriptions**

**Exhibit 3**  
**Income Limits**

# HOME PROGRAM RENTS

Effective June 1, 2018

Unit Size	Low HOME Rent	High HOME Rent
0 Bedroom	\$568	\$568
1 Bedroom	\$639	\$639
2 Bedroom	\$788	\$820
3 Bedroom	\$911	\$1,159
4 Bedroom	\$1,017	\$1,300
5 Bedroom	\$1,122	\$1,416
6 Bedroom	\$1,226	\$1,532



## **Exhibit 4**

# **Sample Mortgage**

**MORTGAGE**

**THIS MORTGAGE** made the \_\_\_\_\_ day of \_\_\_\_\_, \_\_\_\_\_ by and between **FAYETTE COUNTY LOCAL DEVELOPMENT CORPORATION**, A Kentucky Private Nonprofit Corporation, 148 Dewese Street; Lexington, Fayette County, KY 40507("Mortgagor") and the **LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT**, an urban county government of the Commonwealth of Kentucky pursuant to Chapter 67A of the Kentucky Revised Statutes, 200 East Main Street, Lexington, Fayette County, Kentucky 40507 ("Lender").

**WITNESSETH:**

**WHEREAS**, the Lender, through its Division of Grants and Special Programs, has provided Mortgagor a loan for the construction of residential unit(s) on the property described herein as part of its HOME Program conducted pursuant to the HOME Investment Partnerships Program of the United States Department of Housing and Urban Development and, the Mortgagor is thereby justly indebted to the Lender for borrowed money in the principal sum of \_\_\_\_\_ Dollars \_\_\_\_\_, to secure the payment of which Mortgagor has executed a promissory Note ("Note") of even date herewith, bearing interest at the rate of zero percent (0%) per annum, wherein the entire indebtedness evidenced by said Note, which if not sooner paid, is due and payable on \_\_\_\_\_, \_\_\_\_\_.

**NOW, THEREFORE**, in consideration of the premises and to secure to the Lender the payment of the indebtedness evidenced by the Note or so much thereof as may be advanced by the Lender, according to the terms of the Note, with interest thereon, the payment of all other sums, with interest thereon, advanced in accordance herewith to protect the security of this Mortgage, and the faithful performance of all covenants, stipulations, and agreements set out herein and in the Agreement of \_\_\_\_\_ ("Agreement"), and the Note, Mortgagor does hereby mortgage, grant, assign and convey to Lender, forever, the following described real property, situated and located in Fayette County, Kentucky, to wit:

See Exhibit A attached hereto and incorporated by reference.

together with all rents, issues and profits therefrom (provided, however, that the Mortgagor shall be entitled to collect and retain the said rents, issues and profits until default hereunder), and all fixtures now or hereafter attached to or used in connection with the premises herein described ("Mortgaged Property").

**TO HAVE AND TO HOLD** all of the above-described real property together with all of the rights, privileges, appurtenances, and improvements thereunto belonging unto the Lender.

This Mortgage is made subject to, and is to include all valid conditions, restrictions, easements, and stipulations of record, applicable zoning rules and regulations and taxes not yet due and payable pertaining to the above-described real property as may be revealed in the chain of title thereto.

**EXHIBIT 4**  
**Page 2 of 9**

The Mortgagor warrants the aforesaid title to said property and covenants that it has a good right to mortgage and convey the same, that the same is free from all encumbrances except as herein otherwise recited, and that Mortgagor will warrant and defend generally the title to the property against all claims and demands.

The Mortgagor, in order to protect more fully the security of this Mortgage, covenants and agrees as follows:

1. All sums borrowed pursuant to the Note are for the exclusive purpose of constructing residential unit(s) for occupancy by low-income households to be located on the real property described hereinabove in the manner set out in the Agreement and the monies so provided shall be used solely for such purpose. Said Note and Agreement are incorporated herein by reference.
2. During the twenty (20) year term of this loan, Mortgagor shall make no payments on principal or interest so long as Mortgagor complies with all of the terms and conditions of this Mortgage and the Note and Agreement (the "Loan Documents"). It is the intention of the parties that if Mortgagor complies with all terms and conditions of the Loan Documents for their full term, then all interest and principal under the note shall be forgiven in full.
3. If within one year from the date of completion of the construction of the Mortgaged Property, Mortgagor breaches any of the provisions of this Mortgage or the Note or Agreement, such shall be considered a default and the full amount of the Deferred Payment Loan, plus fifteen percent (15%) of that full amount, shall be immediately due and payable; provided, before the Lender may accelerate any amount due under the Deferred Payment Loan or take advantage of any other remedies, Mortgagor shall have a thirty (30) day grace period from receipt of written notice of default to cure such default.
4. If during the second through the twentieth year of the Deferred Payment Loan, Mortgagor breaches any of the provisions of this Mortgage or the Note or Agreement, such shall be considered a default and the full amount shall be immediately due and payable; provided, before the Lender may accelerate any amount due under the Deferred Payment Loan or take advantage of any other remedies, Mortgagor shall have a thirty (30) day grace period from receipt of written notice of default to cure such default.
5. The improvements now or hereafter on the Mortgaged Property shall be insured against loss by fire and such other hazards as are covered by a standard extended coverage endorsement of an insurance company or companies authorized to do business in the Commonwealth of Kentucky and acceptable to the Lender until the Note is fully paid or this Mortgage is released. The policy or policies for said insurance, bearing such standard extended coverage endorsement, shall be in such amounts as Lender may require and shall have attached thereto loss payable clauses in favor of and delivered to Lender. In the event of loss by fire or other causes covered by said standard extended coverage endorsement, Mortgagor shall give immediate notice thereof by mail to Lender which may make proof of loss if not made promptly by Mortgagor, and the insurance company or companies concerned are hereby authorized and directed to make

**EXHIBIT 4**

**Page 3 of 9**

payment for such loss directly to Lender, and Lender may at its option apply such insurance proceeds or any part thereof to the payment or reduction of the Note hereby secured or to the restoration or repair of such improvements.

6. All taxes and legal assessments, water rates, and other charges, fines, or impositions against the Mortgaged Property shall be promptly paid by the Mortgagor, and upon request the receipts therefore exhibited to Lender.

7. Mortgagor shall keep the dwelling unit on the property in good condition and repair, fully tenantable and shall not remove or demolish any dwelling unit thereon. Mortgagor shall complete or restore promptly and in a good and workmanlike manner any dwelling unit which may be constructed, damaged or destroyed thereon to the extent insurance proceeds are actually received and to pay when due all claims for labor performed and materials furnished at any time.

8. Upon failure of the Mortgagor to maintain insurance, pay taxes and other charges, or keep the improvements thereon in good repair, the Lender, at its option, may procure such insurance, pay said taxes and charges and make such repairs. All sums so paid by the Lender shall be repaid to it immediately by the Mortgagor, and in the default thereof shall be added to and become a part of the debt of the Mortgagor, and shall be secured by this Mortgage to the extent allowed by law and bear legal interest from the date of such payment until paid.

9. Mortgagor shall not sell, convey, or transfer any interest in the properties described hereinabove without the written consent of the Lender. This restriction includes the transfer of any interest in the properties by land-sale contract, mortgage, or similar agreements.

10. In the event Mortgagor (a) fails to pay or fails to cause to be paid the Note or any installment thereon when the same shall become due and payable; or (b) fails to maintain and keep in force insurance; or (c) fails to pay such taxes, legal assessments, water rates, special assessments, or other charges, fines, or impositions when the same shall become due and payable; or (d) sells or permits the Mortgaged Property to be sold without the written consent of the Lender; or (e) is adjudged a bankrupt or insolvent, makes an assignment for the benefit of creditors or is placed in receivership; or (f) defaults under any other Mortgage or lien; or (g) in any manner fails to keep and perform any of the covenants, stipulations, and agreements set out in this Mortgage, the Agreement, or Note, Lender may, without notice, at its option, immediately declare all sums secured hereby immediately due and payable and proceed to enforce the collection of the same and all charges and costs permitted by law and the lien of this Mortgage. The Lender may take such measure as may be lawful for the recovery of its indebtedness, including but not limited to foreclosure and the sale of the Mortgagor's right in the properties and/or the assignment and collection of the rents and profits therefrom.

11. The Mortgagor shall perform all of the Mortgagor's obligations under the First Mortgage\*, including Mortgagor's covenants to make payments when due. Mortgagor shall pay all taxes, assessments, charges, fines and impositions attributable to the Property which may attain priority over this Security Instrument, and leasehold payments or ground rents, if any. Mortgagor

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\*

**EXHIBIT 4**  
**Page 4 of 9**

shall pay them on time directly to the person owed payment. Mortgagor shall promptly furnish to Lender all notices of amounts to be paid under this paragraph. If Mortgagor makes these payments directly, Mortgagor shall promptly furnish to Lender receipts evidencing the payments.

Except for the liens of the First Mortgage, Mortgagor shall promptly discharge any other lien which shall have attained priority over this Security Instrument unless Mortgagor: (a) agrees in writing to the payment of the obligation secured by the lien in a manner acceptable to Lender; (b) contests in good faith the lien by, or defends against enforcement of the lien in, legal proceedings which in the Lender's opinion operate to prevent the enforcement of the lien; or (c) secures from the holder of the lien an agreement satisfactory to Lender subordinating the lien to this Security Instrument. Except for the liens of the First Mortgage, if Lender determines that any part of the Property is subject to a lien which may attain priority over this Security Instrument, Lender may give Mortgagor a notice identifying the lien. Mortgagor shall satisfy such lien or take one or more of the actions set forth above within 10 days of the giving of notice.

12. Any notice to Mortgagor provided for in this Security Instrument shall be given by delivering it or mailing it by first class mail unless applicable law requires use of another method. The notice shall be directed to the Mortgagor address or any other address Mortgagor designates by notice to Lender. Any notice to Lender shall be given by first class mail to Lender's address stated herein or any other address Lender designates by notice to Mortgagor:

Director, Division of Grants and Special Programs  
Lexington-Fayette Urban County Government  
200 East Main Street, 6th Floor  
Lexington, Kentucky 40507

or such other address designated by notice to the Mortgagor. Any notice provided for in this Security Instrument shall be deemed to have been given to Mortgagor or Lender when given as provided in this paragraph.

13. (A.) Lender and Mortgagor acknowledge and agree that this Security Instrument is subject and subordinate in all respects to the liens, terms, covenants and conditions of any First Mortgage and to all advances heretofore made or which may hereafter be made pursuant to any First Mortgage including all sums advanced for the purpose of (a) protecting or further securing the liens of any First Mortgage(s) curing defaults by the Mortgagor under any First Mortgage or for any other purpose expressly permitted by any First Mortgage or (b) constructing, renovating, repairing, furnishing, fixturing or equipping the Property. The terms and provisions of any First Mortgage are paramount and controlling, and they supersede any other terms and provisions hereof in conflict therewith. During the term hereof, should any mortgage or deed of trust be foreclosed on the site, then the title acquired by such foreclosure, and the person or persons who thereby and thereafter become the owner or owners of such property, shall be subject to and bound by all the restrictions, conditions and covenants set forth in this instrument. In the event of foreclosure by, acceptance of deed-in-lieu of foreclosure by, or assignment of any First Mortgage to the U.S. Department of Housing and Urban Development (HUD) all restrictions relating to affordable housing programs provided for in this Subordinate Mortgage or provided for in any other document related to this

**EXHIBIT 4**  
**Page 5 of 9**

transaction shall automatically and permanently terminate and shall have no further force to or effect on subsequent owners or purchasers of the Property.

(B.) Further, if the First Mortgagee acquires title to the Property pursuant to a deed in lieu of foreclosure, the lien of this Security Instrument shall automatically terminate upon the First Mortgagee's acquisition of title, provided that (i) the Lender has been given written notice of a default under any First Mortgage and (ii) the Lender shall not have cured the default under any First Mortgage, or diligently pursued curing the default as determined by the First Mortgagee, within the 60-day period provided in such notice sent to the Lender. During the term hereof, should any mortgage or deed of trust be foreclosed on the site, then the title acquired by such foreclosure, and the person or persons who thereby and thereafter become the owner or owners of such property, shall be subject to and bound by all the restrictions, conditions and covenants set forth in this instrument. In the event of foreclosure by, acceptance of deed-in-lieu of foreclosure by, or assignment of any First Mortgage to the U.S. Department of Housing and Urban Development (HUD) all restrictions relating to affordable housing programs provided for in this Subordinate Mortgage or provided for in any other document related to this transaction shall automatically and permanently terminate and shall have no further force to or effect on subsequent owners or purchasers of the Property.

(C.) Notwithstanding Lender's right to invoke any remedies under the Agreement, the Mortgage Note, or this Security Instrument ("Lender's Loan Documents), the Lender agrees as follows:

1. Lender shall, upon serving Mortgagor with any notice of default pursuant to Lender's Loan Documents, simultaneously serve a copy of such notice upon First Mortgagee. Such notice shall outline in detail the default(s) under the Lender's Loan Documents. First Mortgagee shall thereupon have 60 days after service of such notice upon it to remedy or cause to be remedied the defaults complained of, and at the instigation of First Mortgagee as if the same had been done by Mortgagor.
2. Lender will not proceed to enforce any of its rights and remedies under the Lender's Loan Documents, including without limitation the right to accelerate the indebtedness under the Mortgage Note or initiate foreclosure proceedings to enforce the lien of this Security Instrument until it has given First Mortgagee at least 60 days prior written notice as set forth in paragraph 13 (C) (1) above.

14. It is expressly understood that a default on the First Mortgage or any initiation of a foreclosure based on any lien shall be a default under this Mortgage and the principal amount shall immediately become due and payable and Lender shall be entitled to recover the cost of collection, including reasonable attorney fees.

15. Lender or its agent may make reasonable entries upon and inspections of the Property. Lender shall give Mortgagor notice at the time of or prior to an inspection specifying reasonable cause for the inspection.

16. Failure of the Lender to exercise any of its options provided for herein in the event of any violation of the warranties, covenants, and agreements herein contained shall not constitute a waiver of its right to exercise such option because of any subsequent violation.

17. This Mortgage shall be binding upon and inure to the benefit of the respective heirs, executors, administrators, successors, and assigns of the parties hereto. Whenever used, the singular number shall include the plural, the plural the singular, the use of any gender shall include all genders, and the term "Lender" shall include any payee of the indebtedness hereby secured or any transferee thereof whether by operation of law or otherwise.

18. Nothing in this agreement shall be construed to prohibit the assignment or subordination of this lien by the Lender.

19. The loan secured hereby may be assumed by an individual or entity capable and able to enter into enforceable contracts, agreements or other loan documents as may be required to ensure compliance with the requirements and intent of the HOME Program, including the eligibility and affordability provisions of the Program, upon the prior written consent of Lender, which consent shall not be unreasonably withheld or delayed.

20. Mortgagor shall not cause or permit the presence, use, disposal, storage, or release of any Hazardous Substances on or in the Property. Mortgagor shall not do, nor allow anyone else to do, anything affecting the Property that is in violation of any Environmental law. The proceeding two sentences shall not apply to the presence, use, or storage on the Property of small quantities of Hazardous Substances that are generally recognized to be appropriate for normal residential uses and to maintenance of the Property.

Mortgagor shall promptly give Lender written notice of any investigation, claim, demand, lawsuit or other action by any governmental or regulatory agency or private party involving the Property and any Hazardous Substance or Environmental Law of which Mortgagor has actual knowledge. If Mortgagor learns, or is notified by any governmental or regulatory authority, that any removal or other remediation of any Hazardous Substance affecting the Property is necessary, Mortgagor shall promptly take all necessary remedial actions in accordance with Environmental Law. Prior to taking any such remedial action, however, the Mortgagor shall notify the First Mortgagee that such remedial action is necessary and shall obtain the First Mortgagee's prior written consent for such remedial action.

As used in this paragraph 20, "Hazardous Substances" are those substances defined as toxic or hazardous substances by Environmental Law and include the following substances: gasoline, kerosene, other flammable or toxic petroleum products, toxic pesticides and herbicides, volatile solvents, materials containing asbestos or formaldehyde, and radioactive materials. As used in the paragraph 20, "Environmental Law" means federal laws of the jurisdiction where the Property is located that relate to health, safety or environmental protection.

21. The lien of this instrument shall remain in full force and effect during any postponement or extension of the time of payment of the indebtedness or any part thereof secured hereby.

**EXHIBIT 4**  
**Page 7 of 9**

22. The Lender consents to any agreement or arrangement in which the First Mortgagee waives, postpones, extends, reduces or modifies any provisions of the First Mortgage Loan Documents, including any provisions requiring the payment of money.

23. Upon request of the Mortgagor, Lender, at its option, prior to release of this Mortgage, may make Future Advances to Mortgagor. Such Future Advances, with interest thereon, shall be secured by this Mortgage when evidenced by promissory notes stating that said notes are secured hereby. The maximum additional indebtedness which may be secured hereby is the sum of \$-0- and at no time shall the principal amount of the indebtedness secured by this Mortgage, not including sums advanced in accordance herewith to protect the security of this Mortgage, exceed the original amount of the Note plus \$-0-. All Future Advances secured by this Mortgage shall be due and payable on or before the maturity date of the indebtedness evidenced by the Note.

**PROVIDED, HOWEVER,** that if Mortgagor shall pay the Mortgage Note according to the terms thereof and perform all of the covenants, conditions, stipulations, and agreements set out in the same or herein contained, then this Mortgage shall be void, and the Lender shall, at Mortgagor's cost and request, release the same.





**EXHIBIT A**

# **Exhibit 5**

## **Sample Note**

**EXHIBIT 5**  
**Page 1 of 2**  
**MORTGAGE NOTE**

**Lexington, KY**

**FOR VALUE RECEIVED**, the undersigned, **FAYETTE COUNTY LOCAL DEVELOPMENT CORPORATION**, whose address is 148 DeWeese Street; Lexington, Fayette County, Kentucky 40507("Borrower"), does hereby promise and agree to pay to the order of the **LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT**, an urban county government of the Commonwealth of Kentucky pursuant to Chapter 67A of the Kentucky Revised Statutes, 200 East Main Street, Lexington, Fayette County, Kentucky 40507, its successors or assigns ("Government"), the principal sum of \_\_\_\_\_ Dollars (\$\_\_\_\_\_) in lawful money of the United States, with interest at the rate of zero percent (0%) per annum, from \_\_\_\_\_, 20\_\_, until \_\_\_\_\_, 20\_\_, the date upon which the unpaid principal balance and all accrued but unpaid interest shall be due and payable.

**DEFERRED PAYMENT LOAN CONDITIONS:**

This Note evidences a Deferred Payment Loan by the Government to the Borrower for the exclusive purpose of constructing a single family residential unit for rent to low-income households on property located at \_\_\_\_\_, Lexington, Kentucky ("Project") in the manner set out in the Agreement of ("Agreement") and the monies so provided shall be used solely for such purpose.

No principal or interest payments will be required during the term of the indebtedness and the principal amount due shall be reduced and amortized at zero percent (0%) interest as though monthly payments of \_\_\_\_\_ of the principal were being made as long as the Borrower complies with all terms and conditions of this Note, the Mortgage of even date herewith, and the Agreement of \_\_\_\_\_, (collectively, the "Loan Documents") between the Borrower and the Government. The Mortgage and the Agreement are incorporated herein by reference and made a part hereof. It is the intention of the parties that if Borrower complies with all terms and conditions of the Loan Documents for their full term, then the outstanding balance of this note shall be forgiven in full.

This Note is a draw note for construction purposes and disbursements of principal hereunder shall be made to Borrower upon its delivery of invoices, or other evidence satisfactory to the Government, related to construction costs of the single family residential unit at \_\_\_\_\_, and supporting the amount requested.

If within one year from the date of completion of the construction of the Project, said date established as the date of the final progress payment to Borrower, Borrower breaches any of the provisions of this Note or the Agreement or the Mortgage, such shall be considered a default and the full amount of the Loan, plus fifteen per cent (15%) of that full amount, shall be immediately due and payable; provided, before the Government may accelerate any amount due under the Loan or take advantage of any other remedies, Borrower shall have a thirty (30) day grace period from receipt of written notice of default to cure such default.

**EXHIBIT 5**

**Page 2 of 2**

If during the second through twentieth year of the Deferred Payment Loan the Borrower breaches any of the provisions of this Note or the Agreement or the Mortgage, such shall be considered a default and the full amount of the Loan shall be immediately due and payable; provided, before the Government may accelerate any amount due under the Deferred Payment Loan or take advantage of any other remedies, Borrower shall have a thirty (30) day grace period from receipt of written notice of default to cure such default.

Any default on a superior lien or any initiation of a foreclosure based on any lien shall be a default under this Note and the Agreement and the Mortgage and the amount as set out hereinabove shall be immediately due and payable; provided, before the Government may accelerate any amount due under the Deferred Payment Loan or take advantage of any other remedies, Borrower shall have a thirty (30) day grace period from receipt of written notice of default to cure such default.

The Deferred Payment Loan evidenced by this Note may be assumed by an individual or entity capable and able to enter into enforceable contracts, agreements or other loan documents as may be required to ensure compliance with the requirements and intent of the HOME Program upon the prior written consent of the Government, which consent shall not be unreasonably withheld or delayed.

This Note shall be the joint and several obligation of all makers, co-makers, endorsers, sureties and guarantors and shall be binding upon them and their successors, heirs or assigns and each waives demand, presentment and protest and notice of dishonor, and agree in case of any default to pay all costs of collection, including reasonable attorney fees and legal expenses.

The indebtedness evidenced by this Note is secured by a Mortgage of even date herewith in favor of the Government on the aforescribed real property and Project executed by Fayette County Local Development Corporation, and recorded in the Office of the Fayette County Clerk in Mortgage Book \_\_\_\_\_, Page \_\_\_\_\_, and reference is made to said instrument for rights as to acceleration of the indebtedness evidenced by this Note.

**IN WITNESS WHEREOF**, the parties have executed this Note on the day and year first above written.

Fayette County Local Development Corporation

By: \_\_\_\_\_

Its: \_\_\_\_\_

DUE DATE: \_\_\_\_\_

PROPERTY ADDRESS:

# **Exhibit 6**

## **HUD Rent Limits**

# ELIGIBLE INCOMES BY FAMILY SIZE

Effective April 14, 2017 for other HUD programs, Effective June 15, 2017 for HOME PROGRAM

FAMILY SIZE	INCOMES					
	<30%	30% to <50%	50% MEDIAN Grants and Deferred Loans	50% TO <60% MEDIAN 0% Loans	60% to <70% MEDIAN 1% Loans	70% to 80% MEDIAN 2% Loans
1	\$0 to \$14,000	\$14,001 to \$23,350	\$0 to \$23,350	\$23,351 to \$28,020	\$28,021 to \$32,680	\$32,681 to \$37,350
2	\$0 to \$16,000	\$16,001 to \$26,650	\$0 to \$26,650	\$26,651 to \$31,980	\$31,981 to \$37,319	\$37,320 to \$42,650
3	\$0 to \$18,000	\$18,001 to \$30,000	\$0 to \$30,000	\$30,001 to \$36,000	\$36,001 to \$42,000	\$42,001 to \$48,000
4	\$0 to \$20,000	\$20,001 to \$33,300	\$0 to \$33,300	\$33,301 to \$39,960	\$39,961 to \$46,639	\$46,640 to \$53,300
5	\$0 to \$21,600	\$21,601 to \$36,000	\$0 to \$36,000	\$36,001 to \$43,200	\$43,201 to \$50,400	\$50,401 to \$57,600
6	\$0 to \$23,200	\$23,201 to \$38,650	\$0 to \$38,650	\$38,651 to \$46,380	\$46,381 to \$54,119	\$54,120 to \$61,850
7	\$0 to \$24,800	\$24,801 to \$41,300	\$0 to \$41,300	\$41,301 to \$49,560	\$49,561 to \$57,839	\$57,840 to \$66,100
8	\$0 to \$26,400	\$26,401 to \$44,000	\$0 to \$44,000	\$44,001 to \$52,800	\$52,801 to \$61,600	\$61,601 to \$70,400

# **Exhibit 7**

## **Utility Allowances**



This utility allowance is being used only for the purpose of underwriting. LFUCG is in the process of creating a new utility allowance policy and will provide additional guidance prior to lease-up.

Allowances for		U.S. Department of Housing and Urban Development				OMB Approval No. 2577-0169	
Tenant-Furnished Utilities and Other Services		Office of Public and Indian Housing				(Exp. 4/30/2014)	
LOCALITY		Unit Type			Effective Date		
	Lexington Housing Authority	Duplex/Townhouse/Row			02/01/2018		
Utility or Service		Monthly Dollar Allowances					
		0 BR	1 BR	2 BR	3 BR	4 BR	5BR
Heating	a. Natural Gas	29	34	39	44	52	57
	b. Bottle Gas	38	53	69	84	107	122
	c. Electric	29	41	53	64	82	94
	d. Oil/Other	41	58	74	90	115	132
Cooking	a. Natural Gas	2	3	4	5	6	7
	b. Bottle Gas	7	10	13	16	21	24
	c. Electric	5	7	9	11	14	15
	d. Oil/Other	N/A	N/A	N/A	N/A	N/A	N/A
Other Electric		27	32	38	44	52	58
Air Conditioning		4	5	6	7	8	9
Water Heating	a. Natural Gas	5	7	9	11	14	15
	b. Bottle Gas	16	23	29	36	45	52
	c. Electric	13	18	24	29	37	42
	d. Oil/Other	17	24	31	37	48	54
Water		22	31	44	62	80	98
Sewer		15	25	39	59	78	98
Range/Microwave		5	5	5	5	5	5
Refrigerator		5	5	5	5	5	5
Trash		17	17	17	17	17	17
<b>Actual Family Allowances</b> To be used by the family to compute allowance					Utility or Service	Per Month Cost	
Complete below for the actual unit rented.					Heating	\$	
Name of Family					Cooking		
					Other Electric		
Address of Unit					A/C		
					Water Heating		
					Water		
					Sewer		
					Range/Microwave		
Number of Bedrooms	Contract Rent			\$	Refrigerator		
	Utility Allowance			\$	Other		
	Gross Rent			\$			
					<b>Total</b>	<b>\$</b>	
Previous editions are obsolete					Form HUD-52667 (12/97)		
Rev 10/17					Page 1 of 1		
					ref. Handbook 7420.8		