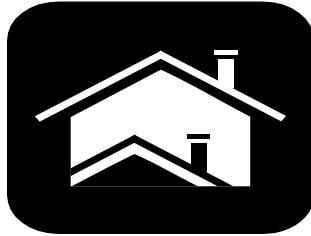


**NICHOLASVILLE
SCATTERED SITE HOUSING PROJECT
PROGRAM GUIDELINES**



**NICHOLASVILLE, KENTUCKY
AUGUST 2011**

NICHOLASVILLE SCATTERED SITE HOUSING PROJECT
PROGRAM GUIDELINES



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NICHOLASVILLE SCATTERED SITE HOUSING PROJECT

I. REHABILITATION PROGRAM GUIDELINES

I. OVERVIEW

The City of Nicholasville has recognized the need for financial assistance for low to moderate income households renovate their homes at scattered sites throughout the City. For this reason the City is pursuing funding to address the houses. The city is recognizing and responding to accelerating deterioration and blight of older homes at scattered locations in the city, a shortage of suitable housing for low and moderate income families in the community, and requests by area residents for assistance in upgrading their home by implementing a voluntary CDBG Scattered Site Homeowner Rehabilitation Project. As this is a strictly voluntary project, eminent domain will not be used by the city and no non-voluntary acquisition of properties will occur. The specific locations of the Priority 1 and Priority 2 properties included in the project are shown on the project area map included in Appendix A.

A. BOUNDARY OF PROJECT AREA

The boundary of this voluntary project is the incorporated city limits of the City of Nicholasville. All proposed Community Development Block Grant and HOME activities and other related rehabilitation/reconstruction activities will be carried out within the City of Nicholasville, Kentucky.

B. PUBLIC PURPOSE AND STATEMENT OF DEVELOPMENT OBJECTIVES

Recognizing the dangers of blight, deterioration and obsolescence to the continued stability and vitality of the City of Nicholasville, Kentucky, the City has developed a housing rehabilitation program for upgrading and stabilizing property located at scattered sites within the City of Nicholasville. The purpose of the program is to assist in removal of blighted conditions in the City through the reconstruction of dwellings on existing properties that are too substandard to cost effectively rehabilitate. Reconstructed houses will be built back on the same lot in accordance with Kentucky Residential Code, current edition. Rehabilitation of houses that are not as deteriorated is a second priority. The goals of the homeowner rehabilitation program are as follows:

1. To protect the health, safety, and public welfare of residents, visitors and workers in the City of Nicholasville by elimination of the hazardous or unsafe structures within the unincorporated areas of the City of Nicholasville.
2. The rehabilitate/reconstruction of residential structures on a voluntary basis in accordance with Kentucky Residential Code.
3. To reduce utility costs to low income homeowners and the environmental impacts of housing by constructing new homes which are Energy Star Rated homes which exceed the energy efficiency requirements of the building code and incorporating appropriate green building requirements.

4. To increase the accessibility of the housing stock for disabled persons and make the housing stock more accessible overall by incorporating universal design standards into new homes. Universal design is a building concept that incorporates products, general design layouts and characteristics into residences in order to make the residence usable by the greatest number of people, respond to the changing needs of the resident and improve marketability of the residence.
5. To enhance affordability of homeownership for low- and moderate-income households through the use of public loans, grants or a combination thereof to reduce the cost of rehabilitation/reconstruction.
6. To preserve and create an environment within the City of Nicholasville which will protect the health, safety and general welfare of the area. To preserve existing property values in the City of Nicholasville by eliminating the blighting influence of substandard properties.
7. To address drainage and other deficiencies during the construction of replacement homes on individual lots.

C. EQUAL OPPORTUNITY-FAIR HOUSING POLICY

The City of Nicholasville provides equal housing opportunity and equal employment opportunity. The City of Nicholasville does not discriminate on the basis of race, color, disability, religion, sex, national origin or familial status. It is the policy of the City of Nicholasville to conduct its business in accordance with the Federal Fair Housing Law and Title VI of the Civil Rights Act of 1967, as amended by the Housing and Community Development Act of 1974. An aggrieved person may file a complaint of housing discrimination with the U.S. Department of Housing and Urban Development, Assistant Secretary for Fair Housing and Equal Opportunity, Washington, D.C. 20410.

The City of Nicholasville advises the public, employees and job applicants that in accordance with its Section 504 policy, the City does not discriminate on the basis of handicapped status in admission or access to, or treatment in its programs and activities. The city does not discriminate on the basis of handicapped status in its employment or contracting activities. The City of Nicholasville has designated the Nicholasville City Clerk, 517 N Main St, Nicholasville, KY 40356 as the person to contact to coordinate efforts to comply with all equal opportunity, Section 504 and fair housing requirements.

D. LAND USE

The primary land use in the City where homes are currently located is single family residential. Only houses located in residential zones or zones that allow residences as a primary use are eligible for the project. Rehabilitation of existing homes in these areas shall maintain current land use. In order to discourage non-conforming structures, and to prevent the use of Federal funds for the construction of housing in inappropriate places, only single family residential structures located in areas specifically zoned for residential use will be eligible for rehabilitation.

E. FINANCING & COSTS

The anticipated funding for the Scattered Site Housing Project is \$740,000 in Community Development Block Grant funds. The City of Nicholasville is contributing \$323,000 in program income to the project for a total of \$1,063,000 in funding for the project. The City also intends to apply for HOME gap financing funds from Kentucky Housing Corporation to leverage CDBG and City funds and potentially address additional homes. These funds will be used to reconstruct or rehabilitate an estimated 10 to 15 owner occupied single family homes within the City of Nicholasville. In addition to housing rehabilitation costs, the project costs will include temporary relocation costs including moving expenses, demolition costs and administrative costs.

F. TECHNIQUES TO ACHIEVE OBJECTIVES

The goal of this housing redevelopment project is to provide decent, safe and sanitary housing for low to moderate income families who currently own and occupy substandard single family homes within the incorporated areas of the City of Nicholasville. Existing substandard structures will be demolished and reconstructed on site to meet Kentucky Residential Code or rehabilitated to meet the International Property Maintenance Code. The specific procedures to be followed are detailed in this document.

G. TEMPORARY RELOCATION

As this is a voluntary rehabilitation/reconstruction project, only temporary relocation will occur. The temporary relocation policy is included in Section XI of this document

H. APPROVAL OF PLAN

The City of Nicholasville held a public hearing at Nicholasville City Hall at 517 N Main St. on August 29, 2011 at 5:00 p.m. (local time) to solicit public comment on the proposed scattered site housing project and these program guidelines. The program guidelines must be approved and adopted by the Nicholasville City Commission. Any provision of these program guidelines may be amended if the City of Nicholasville determines that it is necessary and desirable to do so. Such an amendment must be approved by resolution of the City Commission after public disclosure of the proposed amendment and the opportunity for public comment.

II. DEFINITIONS

Definitions of terms used in this document shall be the following:

Ability-to-Pay - The difference between 30% of a household's adjusted average monthly gross income and the average monthly housing cost, used to determine how much of the cost of rehabilitation the household can be expected to pay with its own resources.

Annual Income - The gross amount of household income anticipated to be received during the 12 months following the effective date of examination as calculated by the current HUD Section 8 method.

Applicant - The "Applicant" shall include all persons having legal or equitable title to the structure for which rehabilitation assistance is requested, including nonresident owners.

CDBG – Community Development Block Grant funds.

City – The City of Nicholasville implementing the program as an agent of the Kentucky Department for Local Government and Kentucky Housing Corporation, grantees of the U.S. Department of Housing and Urban Development (also known as the Agency).

Critical Health and Safety Deficiencies - Those necessary elements of the structure which are lacking or are deteriorated to a point which poses a real threat to the continued well being of the occupants. For the purpose of this plan, these include wiring, heating and major structural problems and the lack of adequate plumbing and sanitary septic systems.

DLG – Kentucky Department for Local Government

Forgivable Deferred Loan (FDL) - A direct payment for the purpose of bringing an eligible property up to Housing Code paid to the approved contractor on the Applicant's behalf. There is no requirement for repayment unless the property is sold or transferred within the first five years after rehabilitation is complete (10 years for HOME funds) or the unit does not continued to be occupied by the Applicant or their income eligible family. (The amount of the FDL is forgiven/reduced at a rate of 20% per year for five years or 10% per year for ten years for HOME funds.)

Fixed Medical Expenses - Monthly recurring costs related to health care, not covered by medical insurance, as verified by a doctor and/or pharmacy.

HOME – HOME Investment Partnership Act funds.

Housing Code/Housing Standard - The International Property Maintenance Code which is adopted by the city as the minimum standards to which all structures approved for rehabilitation assistance must comply. Reconstructed houses or houses where the rehabilitation costs exceed \$25,000 must meet Kentucky Residential Code.

Household Members – All persons who regularly reside in the house are considered household members for the purpose of determining household size and income eligibility except foster children, foster adults, paid live-in aides and the children of paid live in aides. A child who is subject to a shared custody agreement in which the child resides with the household at least 50 percent of the time can be counted in the household. A related person is not considered a live-in aide.

KHC – Kentucky Housing Corporation.

Land Sales Contract - Any written transaction, regardless of the nomenclature by which it is known, in which the purchaser-occupant obtains fee title only if he completes a series of installment payments over a period of time.

Low-Moderate Income (LMI) - That level of income which, when combined with family size, relates to eligibility for rehabilitation with a Forgivable Deferred Loan. These income levels have been established by the federal Department of Housing and Urban Development and adopted by the City.

Monthly Housing Cost - Those expenses to the occupant incurred monthly for housing. This amount reflects property tax, mortgage or rent, basic utilities (electricity, gas, water, sewer) excluding phone and property insurance.

Owner-Occupied Structure - A residential structure occupied by the owner which is used entirely for residential purposes.

Project Manager – The person(s) responsible for the day to day activities of implementing the rehabilitation program.

Rehabilitation - Repairs, reconstruction or additions to a structure necessary to improve it to the minimum standards as required by the Housing Code.

Rehabilitation Assistance - That amount of money available from the Agency to an Applicant on behalf of a specific structure for the purpose of correcting critical health and safety deficiencies in that structure and bringing the unit into full compliance with the Housing Code.

Renter-Occupied Structure - A residential structure occupied by a tenant, not the owner of the property. Rental properties are not eligible for assistance under this program.

Scattered Site Housing Project – A CDBG project that addresses multiple, non-contiguous properties throughout the jurisdiction of a city or county. Participation in scattered site projects is voluntary. Applicants are selected on the basis of specific criteria (as defined in the program guidelines) in order to address those LMI persons who are living in the worst housing conditions. All participants must be LMI.

Single Family Home – A housing unit designed to be occupied by one household. In limited circumstances, a two to four unit structure under a single ownership with one or more units occupied by the owner, may be considered a single family home and qualify for assistance. If it is a duplex, at least one household must be LMI. If there are more than two households, 51% must be LMI. However, if rehabilitation of the structure would require relocation of tenants from a rental unit, the structure will not be eligible for assistance.

Structure - For the purpose of this rehabilitation plan, an owner occupied single family home.

III. APPLICANT ELIGIBILITY REQUIREMENTS

A. APPLICANTS ELIGIBLE FOR ASSISTANCE

In order to be eligible for assistance under this voluntary scattered site housing project, applicants must be owner occupants of single family homes located within the incorporated area of the City of Nicholasville, Kentucky. Applicants are prioritized by the date the preliminary application was received by the city and by their score on the ranking form included in Appendix A. Priority 1 applicants are those applicants that submitted their preliminary application to the city by the advertised deadline of July 8, 2011 and found to meet the income limits and other program requirements. Priority 2 applicants were those applicants that submitted their preliminary application to the City of Nicholasville after July 8, 2011 but before August 8, 2011 which was in time to receive clearance of the property through the Kentucky Heritage Council and to verify their income. Priority 3 applicants are those who submitted a preliminary application after August 8, 2011. Priority 1 and 2 applicants were ranked by income (based on third party income verification), age of household members, disability status of household

members and the condition of the structure based on the criteria on the ranking form as clarified below. The ranking shall be based on the income and status of the household and condition of the structure at the time the full application and income verification is processed prior to submitting the application for CDBG funds. The household with the highest number of points is ranked first. If two households have the same number of points, the family with the lowest income adjusted for family size based on a prorated percentage of median family income will be ranked higher. Upon release of funds, the Priority 1 applicants will be processed to reaffirm eligibility for the project. If additional households can be assisted, then the Priority 2 applicants will be processed in the order as they were initially ranked.

Once all Priority 1 and 2 applicants have been addressed, then Priority 3 applicants are processed and ranked. Priority 3 applicants will be processed in groups of four based on date of submission of their preliminary application. These four applicants will then be ranked based on the ranking system above. If there are fewer than four applicants on the waiting list at the time applications are processed, then all those currently on the list will be processed and ranked together. Once all the processed applicants have either been assisted or determined ineligible, and if funding is still available, the next four applicants will be processed.

B. PRELIMINARY ELIGIBILITY

When a preliminary application is received, it will be processed to determine if the applicant meets the following basic criteria for participation in the project:

1. The structure must be a single family house located within the incorporated area of the City of Nicholasville, Kentucky and zoned for residential use.
2. The applicant must own and live in their home. They must have owned and occupied their home for more than 180 days prior to applying for assistance.
3. The Applicant must be a U.S. citizen, a nationalized citizen or a lawfully present alien.
4. Applicant's gross family income cannot exceed 80 % of median family income in accordance with the HUD Income limits for Pulaski County as discussed in the *Financial Eligibility* section.
5. The structure must be a single family home. In some cases, multi-family homes of no more than four units may be eligible if the LMI owner occupies one unit and the remaining units are also LMI.
6. All property taxes and utility bills must be paid in full prior to receiving assistance.
7. Applicants are not eligible if they have received CDBG or HOME funds to rehabilitate or re-build their existing home in the last 20 years.
8. Mobile homes are not eligible unless they have the same owner occupant as the lot.

9. The house must need a minimum of \$25,000 in repairs. The maximum amount of assistance is \$120,000.

If the applicant or property is found not to be eligible for assistance in accordance with the above criteria, the applicant must wait six months to reapply for assistance. If applicant is not eligible because the property is not zoned for residential use, the applicant can apply to the Planning Commission for a zone change to an appropriate residential use. If the zone change is not approved by the city, the applicant will not be eligible for assistance. Applicants must apply for the zone change within 30 days of being notified that the property is not zoned properly. If the applicant does not apply for the zone change within 30 days, they will be removed from the list and may reapply once the property has been zoned for residential use. Upon reapplying, they will be added to the bottom of the Priority 3 list.

C. CLARIFICATION OF RANKING SYSTEM

Each applicant can receive up to 4 points based on the verified annual gross income of the household using the Section 8 income verification method. Households with 0-30% of median family income will receive four points, 31-50% of median family income receive three points, 51-60% of median family income receive two points, 61-80% of median family income receive one point. Households over 80% of median family income are ineligible.

Elderly Household - A household in which the head of household (property owner) or their spouse is aged 62 or older and who is a permanent member of the household will receive three points. A household can receive points for age or disability, not both. If the household receives points for age, no points will be awarded for disability.

A non-elderly household can receive two points for disability if the any member of the household has been determined to be permanently disabled by a government agency or receives worker's compensation for a work related disability. Income from SSI, Veteran's Disability or a similar payment shall serve as evidence of the disability. If a person has written notification that they have been determined to be disabled, but have not started receiving payments yet, the two points shall be awarded. If the applicant meets the disability requirements and the disabled person has a mobility related disability requiring use of a wheel chair, motorized chair or similar device, the household will receive three points for disability. If the disabled person is permanently confined to a bed, they will receive three points for disability.

Points will be awarded based on the condition of the structure as follows:

Foundation – if the foundation is structurally failing, floors are shaky, clearly unlevel, or there is no footer under the foundation one point will be awarded. Most mobile homes will receive this point unless they have a permanent, stable concrete foundation around the house as well as permanent concrete piers supporting the steel frame. A house with a full or partial basement will receive this point if there is a significant amount of water infiltration into the basement not controlled by a sump pump or other means.

Framing – if the walls are bowed, unstable or have structural damage one point will be awarded. If the walls are separating from the floor or ceiling as evidenced by cracking or settlement, the point will be awarded.

Roof – if the roof over the main portion of the house is leaking, has shingles more than 25 years old or in obvious poor condition, or if the roof has structural damage, one point will be awarded. Houses with older metal roofs that are rusted or in poor condition will receive this point. The point will not be awarded if the roof leak or poor condition is limited to a porch or similar structure and the main roof is in good condition.

Windows – One point will be awarded if more than one half of the windows are pre-1978 windows, single pane windows or are windows in poor condition with air leakage or damaged wood.

Siding – One point will be awarded if the siding on the house is Transite, masonite or untreated wood siding with paint in poor condition or weak or rotted wood. If other forms of siding have major damage that does not weather proof the house, the point will be awarded.

Privacy – If the primary bathroom can only be accessed by going through a bedroom or a bedroom can only be accessed by going through another bedroom one point will be awarded. This point will also be awarded if a bedroom can only be accessed by going through the primary bathroom. Sleeping rooms that were not designed as bedrooms, shall not be considered bedrooms for this point. A house designed for single room occupancy or with one bedroom to be occupied by no more than two occupants will not receive the point.

Age of structure – If the house was constructed in 1978 or earlier it will receive a point due to the potential for lead based paint and the lack of HUD manufactured housing standards prior to this date.

Insulation – If the house does not have insulation in the attic or it does not have insulation in the walls, one point will be awarded. If only a portion of the wall or attic is insulated, the point will be awarded. If the amount of insulation is nominal – less than six inches for attics, the point will be awarded.

Plumbing – One point will be awarded if the house lacks complete plumbing facilities in the primary bathroom or kitchen. This means no bathtub or shower in the bathroom or no sink in the bathroom or kitchen.

Bathroom Ventilation – One point will be awarded if there is no vent or window in the bathroom. If there is a modern vent that is not functioning but can be repaired, no point will be awarded. A point will be awarded if there is no bathroom in the house.

Potable Water – One point will be awarded if the house is not connected to a public water system or if public water is not available to the house, the point will be awarded if the house has an unsafe drinking water source (if occupants cannot drink the water, it is considered unsafe). The point will be awarded if public water is only available at a spigot.

Hot water – one point will be awarded if there is no operational hot water tank in the house.

Sewer – Three points will be awarded if the house is not connected to a public sewer system or approved septic system. One point will be awarded if the house has a septic system but it needs repairs or has failing lines evidenced by surface discharge. The point will not be awarded if the problem is due to the need for a plumbing repair such as a cracked drain line under the house or stopped up lines.

Electrical – Two points will be awarded if the house has a fuse box or obsolete switch box. The

point will not be awarded if the house has a 100 amp breaker box or better. The point will be awarded if the house has a 60 amp breaker box.

Wiring – One point will be awarded if the house has any unsafe wiring conditions. A non-GFI outlet near a sink or bathtub or bare bulb light fixtures shall be considered evidence of unsafe wiring and the point will be awarded. Overloaded outlets or numerous extensions cords shall be considered unsafe. Light fixtures with bare ceramic bases and no cover are considered an indicator of unsafe wiring.

HVAC – Two points will be awarded if the house lacks a modern central heating system. The points will be awarded if the primary source of heating is a wood stove, coal stove, gas stove, floor furnace without duct work or space heaters such as kerosene or electric space heaters. The point shall be awarded if the house has old baseboard electric heat strips that are not energy efficient. One point will be awarded if the house has a modern central heating system with duct work, but the system needs repairs or the furnace is not functional.

Air Conditioning – One point will be awarded if the house lacks functional central air conditioning.

Air Quality – Two points will be awarded if the house has a known air quality problem such as visible friable asbestos (pipe wrap, furnace wrap etc.) The point will be awarded if the house has a severe mold problem. Minor mold limited to small locations such as around a bathtub or window will not count for this point. Mold in walls, ceilings, under floors etc. that affect the overall quality of air in the house will count.

The maximum number of points is 29. The above system is not intended to document every possible problem with a house. The items listed are considered indicators of overall housing conditions. The International Property Maintenance Code and Section 8 Housing Quality Standards shall be referenced if a condition is questionable.

D. APPLICANTS ELIGIBLE FOR REHABILITATION ASSISTANCE

Once applicants have been preliminary approved based on the above criteria, when assistance is available, a full application will be processed and the applicant must meet the criteria for eligibility listed below to receive financial assistance.

E. RESIDENCY AND OCCUPANCY REQUIREMENTS

Eligible Applicants shall reside within the city limits of the City of Nicholasville, Kentucky. They must have owned and occupied the structure for more than 180 days. If applicants temporarily vacate the structure for some reason prior to receiving assistance (such as due to an illness or unsafe housing condition) they must receive written approval from the project manager to remain eligible for the program. The project manager may request documentation as necessary (such as doctor's statements etc.) that the absence is of a temporary nature and that the applicant will be able to reoccupy the house within a reasonable amount of time. If the outcome of an illness is questionable, the application may be put on hold until a determination is made. Applicants must agree to occupy the structure as their primary residence for the period of the forgivable deferred loan or deed restriction. If applicants fail to occupy the structure as their primary residence, the financial assistance may have to be repaid.

F. OWNERSHIP

Eligible applicants shall be owners of the structure upon which rehabilitation or reconstruction work is to be performed. A title search shall be prepared for the property. Owners shall hold fee simple title or deed to the structure, have a life estate in the property or shall be buying the structure under a written Land Sales Contract. They must have owned and occupied the structure for more than 180 days. Owners of property foreclosed upon or undergoing foreclosure proceedings or at risk of foreclosure due to delinquent payments are not eligible. Once all mortgage payments have been current for a six month period, the owner may re-apply for assistance. Properties with title problems including unsettled estates which would limit the marketability of the property may be determined to be ineligible contingent on a review of the circumstances. Land contracts shall be converted to fee simple ownership prior to receiving assistance. If the resident applicant only has a partial ownership interest in the property, the absentee owners must either deed their interest to the occupant owner or grant the occupant owner a life estate in the property in order for the applicant to be eligible for assistance. If HOME funds must be used to provide assistance to the household, the owner must have fee simple ownership. Rental properties are not eligible for assistance.

G. INCOME ELIGIBILITY

Applicants must have a household gross income at or below HUD definition of low to moderate income. This amount is based upon family size and currently includes the following income categories:

FAMILY SIZE	30% of Median Maximum Gross Income	50% of Median Maximum Gross Income	60% of Median Maximum Gross Income	80% of Median Maximum Gross Income
1 Person	\$13,900	\$23,200	\$27,840	\$37,100
2 Persons	\$15,900	\$26,500	\$31,800	\$42,400
3 Persons	\$17,900	\$29,800	\$35,760	\$47,700
4 Persons	\$19,850	\$33,100	\$39,720	\$52,950
5 Persons	\$21,450	\$35,750	\$42,900	\$57,200
6 Persons	\$23,050	\$38,400	\$46,080	\$61,450
7 Persons	\$24,650	\$41,050	\$49,260	\$65,700
8 Persons	\$26,250	\$43,700	\$52,440	\$69,900

HUD income limits are adjusted annually so the above income limits are subject to change. The income of an Applicant includes the income of the property owner-occupant, their spouse and all occupants of the property in accordance with HUD's Section 8 income verification standards. The exception to these conditions follows:

If an applicant is part-owner of the property to be rehabilitated and other co-owner(s) are do not occupy the property, income shall be considered to be only that of the occupant if the none occupant owners deed the occupant owner a life estate in the property.

If the Agency makes a determination that an applicant has knowingly provided false information or taken extreme measures to modify their income to become eligible for assistance, the applicant will be determined to be ineligible, but may reapply after six months. An example of an extreme measure would be quitting a job in order to reduce one's income.

H. ASSETS

Assets will be evaluated in determining income in accordance with HUD Section 8 income verification standards. If a household has readily available assets in excess of \$150,000, they will be required to contribute the amount over \$150,000 towards the rehabilitation of the house, or they will be determined to be ineligible. Assets which are considered readily available would be those in savings or investments which are not in retirement accounts. Business assets are not considered readily available.

I. DEBT LIMITS

Applicants with excessive debt will not be eligible for assistance. If the household's long-term debt ratio (six months or longer) initially yields a debt ratio greater than 41 percent of the household's monthly income, inclusive of any mortgages on the property, the property will not be eligible for assistance. If the applicant(s) are in default on any Federal debt, they will not be eligible for assistance. A credit report will be obtained for each applicant, including each owner-occupant of the property, to determine if the household is eligible for assistance.

J. HOMEOWNERS INSURANCE

Applicants must maintain homeowner's hazard and liability insurance on the property for the value of the structure until the mortgage or deed restriction is released. Failure to maintain homeowner's insurance on the house will be cause for the loan(s) to be in default and repayment required. The City of Nicholasville must be listed as a lien holder on the certificate of insurance for the property.

K. MAINTENANCE

Each Applicant will be required to maintain the rehabilitated structure for the five or ten year term of the financial assistance. Maintenance will be examined in relation to the rehabilitation or reconstruction work performed, as per the work write-up and applicable minimum property standards. The Code Enforcement officer will perform periodic inspections, inform the property owner of any items that have deteriorated and request correction. The Agency reserves the right to take any appropriate action necessary to ensure that the rehabilitated property is maintained and may include early payback of financial assistance. This action will only be taken if the applicant shows a total disregard for maintenance and the Agency's request for correction of deteriorated items is repeatedly ignored and is documented accordingly. The house shall be inspected between sixty days after the date of the final inspection and one year in order to detect any problems the owner may face during the contractor's one-year guarantee period and/or basic maintenance problems.

L. CONFLICT OF INTEREST

No person, employee, agent, consultant, officer or elected official or appointed official of the City who exercises or has exercised any function or responsibilities with respect to activities assisted with CDBG or HOME funds or who is in a position to participate in a decision making process or gain inside information with regard to these activities is eligible for assistance. Family members or business partners of those with a conflict of interest as stated above are not eligible for assistance. An exception to this provision may be made on a case-by-case basis if approved by the Department for Local Government and KHC (if HOME funds are used) when they determine that the exception will serve to further the purposes of CDBG and/or HOME and the effective and efficient administration of the city's eligible program activities. CDBG and/or KHC approval must be obtained prior to any expenditure of funds on behalf of those with a potential conflict of interest.

M. ILLEGAL ACTIVITIES

If any property owner is under indictment for a felony offense, charged with a felony offense or found guilty of a felony offense during the term of the project they shall not be eligible for assistance unless they are found not guilty of the offense or the charges are dismissed. If any property owner is serving parole or home incarceration for a felony offense, they shall not be eligible for the project.

N. INELIGIBLE APPLICANTS

Ineligible Applicants shall be any Applicant not meeting all of the criteria above.

IV. STRUCTURES ELIGIBLE FOR REHABILITATION

The following requirements shall determine the eligibility of a structure for reconstruction/rehabilitation assistance.

A. ELIGIBILITY OF RESIDENT APPLICANT

An eligible structure shall be owned and occupied by an eligible Applicant as defined above.

B. LOCATION

Eligible Priority 1 and Priority 2 structures are shown on the Nicholasville Scattered Site Housing Project map included in Appendix A. Structures must be located within the incorporated areas of the City of Nicholasville.

C. SITE AND ENVIRONMENTAL CONDITIONS

Existing houses located on sites where the site is not suitable for reconstruction of the home due to flood or drainage conditions, unstable earth, excessive slopes, inadequate lot size, or other unsuitable environmental conditions will not be eligible for assistance. In some cases the city may opt for a voluntary acquisition of the property and relocate the owner to another site as discussed under the voluntary acquisition policy. Such voluntary acquisitions must first be approved by the funding agency. The determination of suitability of the site shall be made by the Project Manager in consultation with the City. When determining the suitability of the site

factors to be considered may include but not be limited to the cost of constructing a house versus the after construction market value and the accessibility and safety of the house and site. If the market value of the house will be less than the construction cost due to site conditions, the property may be determined to be ineligible. When the reconstructed or rehabilitated house will not be accessible due to an excessive number of steps to reach the main floor, the site may be determined to be ineligible.

No home shall be constructed within the 100 year floodplain. No home shall be constructed within 100 feet of a railroad. Noise levels shall be considered when determining if the site is suitable for reconstruction of the home.

D. ILLEGAL ACTIVITIES

Any property found to be used for illegal activities including, but not limited to, production, sale or use of illicit drugs, cock fighting, abuse or neglect of persons or animals, open dumps, etc. shall not be eligible for assistance.

E. MINIMUM STANDARDS

An eligible structure shall be one which is below the minimum requirements established by the Housing Code and which, at a minimum, will have critical health and safety problems corrected following assistance. Only properties needing reconstruction or moderate to major rehabilitation (more than \$5,000 in work) are eligible. Only one primary residential structure may be located on the property. All dilapidated structures on the property must be demolished in order for assistance to be provided.

F. MAXIMUM ASSISTANCE LEVELS

The maximum financial assistance for any applicant is \$120,000. Typically, assistance levels will be less than this amount unless there are mitigation circumstances such as an historic property. If the property cannot be rehabilitated to meet the housing code with the maximum amount of assistance, the owner has the option of paying the additional costs by obtaining a loan or other financial assistance. If they cannot provide the additional funds necessary, the house shall not be eligible for assistance. The after rehabilitation value of the property cannot exceed \$150,000.

G. MULTI-UNIT STRUCTURES

The structure must be a single family home occupied by the single family occupant. Multi-unit structures are not eligible under this project.

H. INELIGIBLE STRUCTURES

Vacant structures are not eligible for assistance. If the Agency determines that a structure was previously vacant for more than six months and the applicant reoccupied it in order to obtain assistance, the structure shall not be eligible for assistance.

V. ELIGIBLE REHABILITATION COSTS

Financial assistance may used only to cover the cost of rehabilitation necessary to make a low-income, owner-occupied single family dwelling conform to public standards for safe, decent and

sanitary housing as required by the Housing Code and as identified in the work write-up and meeting the definition of "eligible costs" as provided in this section. As a result of the rehabilitation work financed, in whole or in part, by a rehabilitation deferred-payment loan, the property must, at a minimum, conform to the Housing Code. Rehabilitation funds shall be used to achieve economical and practical compliance with the Housing Code.

A. ELIGIBLE COSTS

Costs eligible for reconstruction/rehabilitation assistance are the costs of meeting the requirements of the Housing Code and correcting incipient violations and providing off-street parking. Building permits may be included in the amount of rehabilitation assistance. Other costs deemed necessary to ensure rehabilitation may be approved, on a case-by-case basis, by the Agency Board to be included as part of the Applicant's FDL.

When necessary to meet a specific requirement of the Housing Code, or Kentucky Housing Corporation's Universal Design Standards or Minimum Design Standards, a financial assistance may be used to the extent necessary for:

1. Reconstruction of the structure or rehabilitation, or removal and replacement of elements, of the dwelling structure, including basic equipment. The term "basic equipment" includes such items as heating furnace, hot water tank, electrical, sanitary fixtures and kitchen stove and refrigerator if deficient or damaged. It does not include other appliances.
2. Reconstructed houses shall generally have the same number of bedrooms as the existing house with all houses having a minimum of two bedrooms and a maximum of three bedrooms unless additional bedrooms are necessary to meet occupancy standards. As participation in this project is voluntary, there is no requirement that the replacement home have the same square footage as the existing home. Single wide mobile homes that are less than 900 square feet shall be replaced with a two bedroom house unless additional bedrooms are necessary to meet the occupancy code. Compatibility with the surrounding neighborhood shall be considered when determining the appropriate size and style of house to be constructed.
3. Improvements to make the unit handicapped accessible based on the needs of the occupants.
4. Improvements to make the unit energy efficient in compliance with Energy Star requirements or the Kentucky Home Performance program.
5. Provision of sanitary or other facilities, including the provision, expansion and finishing of space necessary to accommodate those fixtures.
6. Provision of additional or enlarged bedrooms to meet HUD occupancy standards.
7. Provision of off-street parking in compliance with local zoning requirements.

8. Provision of an 8' by 12' accessory storage building if one in good condition is not available on the property.
9. Provision of utility service, including water and sewer service lines and septic systems.
10. Costs to control lead based paint hazards.
11. Sidewalks if necessary to meet city code requirements.

In order that a property may be brought up to and maintained at the Housing Code, rehabilitation assistance may be used for rehabilitation work necessary to correct incipient as well as existing violations of the Housing Code. An incipient violation exists if, at the time of inspection, it is thought that the physical conditions of an element in the structure will deteriorate into an actual violation during the affordability period of the financial assistance. The property inspection report should identify the incipient violations to establish the basis for providing for corrective work with the rehabilitation assistance.

Demolition of the existing structure to allow reconstruction including any dilapidated storage buildings including abatement of asbestos as required by local, state or Federal regulations is eligible for funding. In cases where there is an excessive amount of clutter or debris inside or outside of the house which would make rehabilitating or reconstructing the house difficult, the city may require the property owner to clean up the property prior to approving them for assistance. This can include removal of unlicensed or inoperable vehicles from the property. The city may, at its option, clean up the property and remove junk vehicles as part of the demolition work, with the owner's written authorization for demolition.

Any rehabilitation, not specifically required by the Housing Code, found necessary for safety, health and general welfare of the occupants of any structure or general maintenance of the structure shall be determined by the Project Manager to be eligible.

Related soft costs include financing costs such as credit reports, title opinions, legal fees, recording fees, property surveys, permits are eligible expenses.

B. INELIGIBLE COSTS

Certain rehabilitation costs shall not be eligible for rehabilitation deferred payment loans including:

1. Rehabilitation not required to bring the structure up to the standards of the Housing Code unless otherwise stated above;
2. Landscaping and other yard or "non-structural" property improvements except basic ground cover and required landscaping around the reconstructed house.
3. Additional rooms, except as required to meet the Housing Code.

4. Rehabilitation of accessory structures, unless specifically authorized by the Agency for health and safety reasons.
5. Rehabilitation judged to be damaging to the historical character or value of a structure by the State Historic Preservation Officer of the Kentucky Heritage Commission.
6. Appliances other than a basic stove and refrigerator. In some cases, an Energy Star Rated dishwasher may be approved if the property owner is providing an approved stove and/or refrigerator.
7. Luxury items such as swimming pools.
8. Basements except when replacing an existing basement or site conditions require a minimum of eight foot poured concrete foundation walls.
9. Garages or carports.

Owners may pay for costs listed above with their own funds. Owners are required to provide evidence that they have funds available to pay for costs they are responsible for.

VI. REHABILITATION ASSISTANCE APPROVAL PROCESS

A. GENERAL

The following process shall be adhered to in soliciting, accepting and processing applicants for rehabilitation assistance in bidding and managing rehabilitation construction and in managing rehabilitation funds.

B. APPLICATIONS

Once applicants have been pre-approved for participation in the project as described under eligibility requirements above, they shall complete a full standard application form. Assistance in preparing the form will be provided by the Agency if necessary.

Special arrangements shall be made to assist Applicants unable to file an application, especially for the elderly and handicapped.

C. INTERVIEW

At the time of filing the application, an appointment for an interview shall be arranged between the Applicant, Owner and member(s) of the Agency staff for the purposes of explaining rehabilitation policies and procedures, completing the standard application and verifying the participant's income and eligibility.

D. DETERMINATION OF ELIGIBILITY

The Agency staff shall prepare a financial eligibility statement for the Applicant based on the income verification.

Upon verification and completion of the financial eligibility statement, the Agency staff shall determine and verify the Applicant's financial eligibility according to the eligibility requirements identified in *Applicant Eligibility Requirements*.

If an applicant is determined to be ineligible for a rehabilitation forgivable loan due to their income, the Applicant shall be notified in writing of such determination, the reasons for such determination, appeal procedures, other potential resources for assistance in rehabilitating his or her property for which the Applicant may be eligible and means of applying for such assistance. The Applicant's file shall be placed in an ineligible file. When a change of status has occurred, applicant's may reapply for the program after a six month waiting period.

If the applicant is found to be income eligible but there are other eligibility requirements that cannot be met such as unpaid utility bills, title problems, etc., the applicant shall be notified of problem which must be corrected and given a reasonable amount of time to correct the problem (normally 30 to 60 days), if they applicant cannot correct the problem, they shall be determined to be ineligible and may reapply for the program once the problem is corrected. When an applicant reapplies for assistance after the required waiting period, they shall be placed at the bottom of the Priority 3 list based on the date of the new preliminary application.

E. DETERMINATION OF ELIGIBLE REHABILITATION COSTS

For Priority 1 and 2 applicants, a general Structural Condition Survey has been prepared for each structure. The Structural Condition Survey documents the condition of the house and the needed repairs. This information will be used to determine the eligible costs and repairs to be addressed. When a house is to be reconstructed, this information will be used to determine the replacement house needs.

The Project Manager shall determine the eligibility of the structures in accordance with requirements established in these guidelines. Appeals can be made by the Applicant to the City.

F. WORK WRITE-UP AND COST ESTIMATE

Upon determining that a structure is eligible for rehabilitation construction, the Agency staff shall prepare a specific work write-up or replacement house plan and cost estimate for all rehabilitation, construction, labor and materials necessary to bring the structure into complete compliance with the Housing Code.

Based on a rehabilitation inspection, a work write-up and cost estimate is a statement prepared by the Agency which itemizes all the rehabilitation work to be done on the property and includes an estimate of the cost for each item. The cost estimate shall be reasonable and shall reflect actual costs prevailing in the locality for comparable work.

Each item of work and its estimated cost shall be identified in the work write-up as being either necessary to meet the Housing Code or for other purposes that may be eligible to be financed with rehabilitation assistance funds.

If the total estimated cost of the work exceeds the amount of rehabilitation assistance the applicant can receive, or exceeds the amount of financial assistance available to do all the work, the Agency shall eliminate or modify items in the work write-up as necessary to reduce estimated cost; however, items of work necessary to meet the Housing Code shall not be eliminated.

When the house is to be constructed the work write-up shall be replaced with the appropriate plans and specifications for the reconstructed house. Any special conditions such as modifications for accessibility shall be noted in the bid documents.

Preliminary work write-ups should not contain details that have no significant effect on cost, such as color, style or pattern. Decision on these details can be made when preparing the specifications for the construction contract documents. As appropriate, the term "to be selected by the owner" shall be used.

G. CONSULTATION WITH APPLICANT

As soon as possible after inspection of the property, the Agency shall consult with the applicant/owner on the specific work write-up and cost estimate.

The Agency shall advise the applicant/owner which items of work are required to meet the Housing Code and which are not required, but which may be financed with the rehabilitation deferred-payment loan or matching monies. The Agency should be prepared to eliminate or modify any item in the preliminary work write-up that is not required by the Housing Code. The owner must be consulted should any items be modified or eliminated from the original work write-up. Applicants receiving financial assistance must use the Agency-established low bidder contractor for the rehabilitation work. Applicants may select another contractor provided that contractor is on the approved list and is paid no more than the amount of the low bid.

As a result of the consultation and agreement between the Agency and the Owner on the work to be done, the Agency shall prepare a final work write-up and cost estimate. The final work write-up shall be the basis for the specifications in the construction contract documents to be used to solicit bids and proposals from contractors.

H. SPECIFICATIONS AND DRAWINGS

Specifications based on the final work write-up and any necessary illustrative sketches shall be prepared by the Agency covering the specific work for the structure. Drawings shall be prepared (where necessary) to show the scope of the work involved so that a fair bid for the work can be obtained and so that misunderstanding with the bidder will be avoided. The specifications shall clearly establish the nature and location of the work to be done and the material and equipment to be installed. Known acceptable brands shall be identified by reference to manufacturer's or association specifications and provisions shall be made for the acceptance of equal substitutions. Master specifications will be prepared and given to each contractor prior to performing any rehabilitation work and will be included in all contracts by reference.

VII. REHABILITATION FINANCING MECHANISMS

A. DEFERRED- PAYMENT LOANS

CDBG financial assistance will be given in the form of Forgivable Deferred Loans secured by a mortgage. CDBG funds will be secured by a first or second mortgage. In some circumstances, CDBG funds may be in a third position. The amount of the loans will vary from case to case. The applicant must be considered low-income as determined by HUD Section 8 Income Limits. In no instance will the Deferred-Payment Loan exceed the total cost of the rehabilitation/rebuild expenses. Every Forgivable Deferred Loan will be secured by a Mortgage

and Promissory Note containing a five-year reducing clause for CDBG funds. At the end of the fifth year, the balance of the principal remaining (20% of the original amount of the Forgivable Deferred Loan) will be satisfied and forgiven in full.

The schedule for CDBG Forgivable Deferred Loans will be as follows:

<u>At End of Time Period</u>	<u>Percentage of Loan Forgiven</u>
1st Year	20%
2nd Year	40%
3rd Year	60%
4th Year	80%
5th Year	100%

The term of the Forgivable Deferred Loan begins with the estimated date of completion of construction which is typically about six months from the pre-construction meeting. Reductions of the principal amount of the Forgivable Deferred Loans are subject to ownership and residency. Owner-occupants must own and occupy the property during the entire loan period in order to qualify for the full reduction of the principal amount of the Forgivable Deferred Loan (This provision will not apply if the owner-occupant must enter a nursing home or similar care facility due to injury or illness as long as the structure remains their principal residence). Failure on the part of the owner-occupant to maintain ownership and residency during the mortgage period will stop the reduction and require the repayment of the unreduced balance of the loan. For owner-occupants, all or a portion of the remaining amount of the CDBG FDL may be forgiven upon the death of the owner(s) at the option of the City. In some cases, the loan may be assumed by an income eligible heir to the property if they occupy the house as their primary residence.

B. DEED RESTRICTION

Up to six houses per fiscal year may receive HOME funding from Kentucky Housing Corporation’s GAP Pool Financing Program in addition to a FDL. Currently, up to \$40,000 in HOME Gap funds may be used per house. HOME funds are secured through a ten-year deed restriction rather than a mortgage. The deed restriction requires the income eligible owner to occupy the house as their principal residence for ten years. If the house is sold in less than the ten year period it must be sold to another low to moderate income household or a portion of the HOME funds may have to be repaid. An agreement between the owner and the city must also be signed which details how the HOME funds will be used.

VIII. CONTRACTING FOR WORK

A. GENERAL

This chapter sets forth requirements and procedures with respect to rehabilitation contracts for work financed through the Rehabilitation Assistance Program or for reconstruction activities financed with an owner’s relocation payment.

B. REQUIRED CONTRACT

Rehabilitation financed through the reconstruction/rehabilitation program shall be undertaken through a written contract (a standard form prepared by the Agency) between the contractor and

the property owner. The Agency staff shall assist the property owner in preparing a suitable written contract. The contract will not be valid unless approved by the Agency and signed by the property owner. Assistance is given in the form of a loan with the city acting in the role of lender. The city is not the contractor. The city assumes no direct responsibility for or warranty for the work performed by the contractor.

C. CONTRACT DOCUMENT

The contract will consist of a single document signed by the contractor and accepted by the property owner, only following approval of the rehabilitation assistance or reconstruction activities. It shall contain a bid and proposal by the contractor, the general conditions, the specifications for the work to be performed, the work write-up and/or house plans and, by any special conditions.

D. GENERAL CONDITIONS

The Agency staff shall prepare minimum general conditions for use in all contracts for the rehabilitation of property or new construction activities.

E. OBTAINING CONTRACTOR'S BID AND PROPOSALS

The Agency will establish and, on the basis of its experience, maintain a current listing of contractors who are qualified to perform and who are interested in doing rehabilitation or new construction work. Contractors must certify that they have not been debarred from performing work on Federally funded projects. While the list, in a limited way, may serve the purpose of pre-qualifying bidders, it shall not be used as a means of excluding bidders who are not on the list at the time the submission of a bid and proposal is in order. Vigorous efforts will be maintained to encourage minority business participation in the execution of the administration and contract phase of the program.

F. INVITATION TO CONTRACTOR FOR BID AND PROPOSAL

Contractors on the bidders list will be contacted with regard to homes that are ready for rehabilitation or where reconstruction activities are proposed. An Information for Bidders notice will be sent to contractors on the list to notify them that bids are being accepted. A bid package will be sent to each contractor who requests one.

G. ELIGIBLE CONTRACTORS

In order for a Contractor to qualify for reconstruction or rehabilitation work, it will be necessary that the Contractor submit to the Agency an application to be placed on the eligible contractor's list. The Agency shall verify information on the application, and the eligibility of the contractor must be verified to not be on the Federal government debarment list before they can enter into any contracts. The Contractor will be notified in writing of the Agency's decision if they are found to be ineligible.

H. REMOVAL OF CONTRACTORS FROM APPROVED LIST

Poor performance, quality of work, failure to uphold the one-year guarantee, failure to make repairs or corrections in a timely manner, failure to obtain/maintain required insurance or disapproval from HUD may cause a Contractor's name to be removed from the "approved contractors" list. The following list contains additional reasons for which a contractor's name

may be deleted from the approved list. The list includes, but is not limited to:

1. Continuous poor quality work as determined by the Agency.
2. Failure to pay subcontractors or material suppliers.
3. Contractor's insolvency, bankruptcy or other conduct or condition which has or could result in a monetary loss to a homeowner or to the Agency in connection with the contract work. Contractors may be required to approve the Agency to obtain a credit report in order to determine the financial solvency of the business.
4. Abandonment of a job or repeated failure to complete contract work within the specified time limit.
5. Contractor's conviction of a crime in connection with contract work or in connection with payment or receipt of funds administered by the Agency. Contractor's indictment or conviction of a crime which results in incarceration of the contractor.
6. Failure to maintain a current business license and registration with the local building official. Failure to require subcontractors to maintain a current business license.
7. A history of job abandonment, bankruptcy, subcontractor or supplier payment problems, or similar problems which have resulted in financial losses to the Agency or other federally funded housing programs.

I. AWARD OF CONTRACT

All bids will be reviewed and compared to the Agency's cost estimate. If the low bid is within the 15% above-below range, the bid will generally be acceptable. If the bid exceeds the 15%, the Agency will re-evaluate the Agency's cost estimate for accuracy and reserve the right to negotiate with the Contractor. If no agreement can be reached which is acceptable to both parties, the Agency will negotiate with the next lowest bidder. If no agreement can be reached through the above described negotiations, the proposed work may be rebid. If the bid is below 15% of the estimate, the Agency may reject the bid as non-responsive. The Agency, at its discretion, may limit contractors without previous recent experience constructing or rehabilitating homes funded by the Kentucky CDBG program or KHC's HOME program to the award of one construction contract. Once the contractor has successfully completed the first contract they may bid on additional homes. The Agency may limit the number of contracts awarded to any one contractor based on their demonstrated capacity to complete the work in a timely manner, their current work load, and the size and experience of their organization. Generally, the next lowest bidder will be awarded the work. The Agency shall determine which houses to award to the low bidder and which to the next highest bidder based on the responsiveness of the bids and the lowest additional cost to the Agency.

The contract shall be awarded by the Agency on behalf of the owner after proper examination of the bid. The Owner reserves the right to reject the contractor with the lowest bid; however, the agency shall not pay more than the amount of the lowest, responsive bid. The owner may choose

another contractor if they elect to pay the difference between the low bid and the desired contractor's bid. Owners who choose not to use the low bid contractor must specifically request the change in contractor from the agency and state why the low bidder is not acceptable to them. **“Contractor Shopping” after the bid process whereby the contractor offers enticements to an owner or an owner solicits enticements from the contractor (such as additional work or money not listed in the contract) in order to be awarded the work is considered a Kickback which is prohibited by Federal law. Any property owner or contractor found to be engaging in such activities will be excluded from participation in the project.**

In award of a contract for the rehabilitation work or for new construction, the owner of the property and contractor shall execute three original contracts. The executed contracts documents shall be distributed as follows: one to the owner, one to the contractor and one to the project manager for the project files.

J. PRE-CONSTRUCTION CONFERENCE

A pre-construction conference will be held prior to issuing the notice to proceed for any construction or rehabilitation activities. The homeowner, contractor, and project manager or duly authorized representative shall be present at the pre-construction conference to review specifications and/or work write-ups of the work to be performed by the contractor. All parties will be required to sign off on these items as well as a pre-construction conference checklist in order to ensure that each has a thorough understanding of the work to be done and the timeframe for completion.

K. ISSUANCE OF NOTICE TO PROCEED

At the pre-construction conference, the Agency Staff shall remind the applicant/owner and the contractor that the undertaking of the work covered by this contract is subject to issuance of an order to proceed within the number of days stated in the general conditions of the contract from the date of the award. If work is ready to proceed at the time of the pre-construction conference, the notice to proceed shall be issued at that time. If work is not ready to proceed at that time, the notice to proceed order shall be prepared by the Project Manager once work can proceed and copies will be provided to the Project Manager, Contractor and Owner.

L. SELECTION OF MATERIALS

Materials utilized by the Contractor for roofing, siding, cabinetry, flooring, and countertops must be provided to and approved by the Owner and Project Manager. In addition, all color selections for roofing, siding, shutters, exterior painting, flooring (carpet and vinyl), countertops, and cabinets will be selected by the Owner. A form containing the Owner's color selections and signature will be given to the Contractor to alleviate potential misunderstandings. Should materials be unavailable or the Owner wishes to modify his/her selection (prior to the ordering and installation of the materials by the contractor), the form should be modified and initialed by the Owner, Contractor, and Project Manager. Failure to modify the form in advance of these changes shall be done so to the liability of the Contractor. Installation of materials (by the Contractor) other than those approved by the Owner and Project Manager may result in the Contractor removing and replacing these materials at his/her own expense.

M. LIQUIDATED DAMAGES

As specified in the contractor's contract with a homeowner, liquidated damages will be assessed for any work not finished by the completion date or for any faulty workmanship or materials not remedied or replaced by the contractor. In addition to liquidated damages, the contractor will be responsible for paying for any additional temporary relocation costs (rent, storage fees, etc.) associated with his/her failure to complete construction or rehabilitation of a home within the timeframe established in the contract.

N. ARBITRATION

Appropriate action mentioned above shall include arbitration to ensure the protection of both the Applicant and the Contractor. Arbitration will be provided by the Agency. The Agency will inspect the work and determine if it has been performed in accordance with the contract and in a competent manner. If the work has not been completed properly, the Contractor will be ordered to make the necessary corrections before receiving any further payment. If the Contractor fails to make the necessary corrections prior to the expiration of their contract, the Agency shall assist the Applicant in obtaining another contractor to make the corrections. When corrections are made to the satisfaction of the Agency, the Agency shall make the necessary arrangements to pay the new Contractor for the corrections from the Applicant's rehabilitation account. At this time, the Contractor who failed to perform shall be paid the balance of the funds remaining in the contract, if any. This payment shall only be made upon receipt of the appropriate release of lien documentation. If the Contractor does make the corrections as requested and the work is deemed satisfactory by the Agency, the final payment shall be disbursed to the Contractor.

IX. CONSTRUCTION INSPECTIONS AND PAYMENT

A. GENERAL

Inspection of construction work funded by the Agency shall be performed by the Agency. To accomplish this, the Agency shall, as necessary, make:

1. Interim inspections to ensure that the construction work is being completed in accordance with the construction contract.
2. A final inspection to determine that the construction work is being completed in accordance with the construction contract.
3. A post construction inspection at least 60 days after completion of work and prior to one year to determine if any warranty problems have occurred.

B. NEW CONSTRUCTION/RE-CONSTRUCTION INSPECTIONS

The contractor is required to obtain a building permit on all new homes and to obtain a footer, framing, and final inspection from the local building inspector. Documentation from the building inspector showing that these inspections have been done and that the house is in compliance with the building code must be provided to the Agency. If the contractor fails to have a footer inspection done, the contractor (at his/her own expense) will be required to obtain a letter from a structural engineer certifying that the footer meets the building code and plans.

This letter must contain the engineers stamp and original signature. Prior to final payment, the contractor must also provide a copy of the termite certificate and certificate of occupancy (where issued) to the Agency. No house shall be occupied until the final electrical, HVAC and plumbing inspections have been passed and a certificate of occupancy has been issued.

C. INTERIM INSPECTIONS

Interim inspections will be made by the Agency staff dependent upon the amount of work and period of construction. Interim inspections will be made before progress payments are made on a Contractor's invoice. Interim inspection reports will be prepared by the inspector.

D. PROGRESS PAYMENTS

Issuance of a progress payment, if authorized by the contract, will be dependent upon favorable interim inspection reports indicating that the work completed is in compliance with the construction contract. In the event that work completed is not in compliance, it shall be the duty of the Agency staff to obtain appropriate corrective action from the Contractor. The Contractor shall be notified verbally, at the time of the inspection for progress payment, of any necessary corrective action to enable the Agency to make a progress payment. Agency staff will document this notification in the case file. This verbal notification will be followed up by a written memorandum to the Contractor if the work is not completed as required by the verbal notification.

Interim inspections should ascertain that the work completed is valued at an amount equal to the progress payment requested. No payment will be made on a construction contract until the Contractor has satisfactorily completed the necessary corrective action.

E. RETAINAGE

Contractors performing rehabilitation work shall be subject to 10% retainage until the owner signs a completion of work form. On new construction, the contractor will be required to furnish and pay one of the following: 1) one-hundred percent performance or payment bond or bonds; 2) a 20% cash escrow; 3) a 25% irrevocable letter of credit; 4) a contractor may opt for 25% retainage on completed work or 5) 10% retainage with contractors and subcontractors release of liens provided with every pay request.

F. CHANGE ORDERS

Change orders shall be issued on behalf of the Owner and executed by the Project Manager, Contractor, and homeowner when changes are required in the contract. Change orders may be used to add items of work which become evident after work is started. The Contractor shall not be authorized to perform any work outside the scope of the original contract without a written and properly executed change order. Unless formally approved as a change order by the Project Manager, any modifications to the contract, write-up or house plans, materials used, Owner color selection sheet, or specifications shall be done so at the risk of the Contractor and possibly to cost of the homeowner if an unapproved verbal agreement was made between the Owner and Contractor.

G. FINAL INSPECTION

Upon completion of the work and receipt of the Contractor's invoice containing his or her certification of satisfactory completion of all the work in accordance with the contract and his or her warranty, the Agency shall obtain from the Contractor a Release of Liens, including releases from all subcontractors and suppliers and a copy of each warranty, before making the final payment.

If the Contractor cannot provide the Agency with a satisfactory Release of Liens, the Agency, may, with owner's approval, pay the supplier and/or subcontractor directly. The Contractor will be notified in writing of the Agency's intent to pay the supplier or subcontractor directly seven working days prior to the date the Agency will make these payments. The supplier or subcontractor will be required to sign a release of liens at the time of payment. Final payment will be made within 30 days of receipt of all necessary documents.

H. OWNER'S ACCEPTANCE OF WORK

The Owner will be asked to sign the Owner's Acceptance of Work. If there are any problems with workmanship, etc., these will be negotiated by the Agency between the Owner and the Contractor. In the instance that the Owner makes unreasonable request or demands and the Contractor has otherwise satisfied the requirements of the Agency, the Agency reserves the right to override the Owner's decision, accept the work, and begin closeout procedures. In the instance where the Agency's decision supersedes the non-acceptance of the Owner, the Agency will thoroughly document the reasons for the decision to close out the rehabilitation despite the homeowner's objections.

I. CERTIFICATION OF FINAL INSPECTION

After the Agency determines that the work, as indicated in the contract agreement with the Contractor has been fully and satisfactorily completed and the final inspection report obtained, the Agency shall prepare a "Certification of Final Inspection" which shall be signed by the Owner, Agency representative, and Contractor.

X. PROJECT CLOSEOUT PROCEDURES

A. SUPPLEMENTAL INSPECTIONS

In some cases, defects and inadequacies in the construction work, not apparent at the time of final inspection, may show up after final payment for the work is made and the "Certification of Final Inspection" has been issued. Most of these are minor, such as floors and windows that stick after painting. However, other are serious, such as roof leaks not ascertainable until after a rain, defects in the heating systems installed during the non-heating season that were not revealed in the limited tests after inspection. All work performed by the contractor is covered by a one-year guarantee. Owners may require the Contractor to correct significant defects and inadequacies found in the construction work performed under this contract. After final inspection, the Agency shall make an additional call on the Owner to ascertain if there are any complaints about the work which has been done. This call shall be made between 60 days and one year after the issuance of the "Certification of Final Inspection." The Agency shall inspect the work to ascertain if the complaint is valid. If the complaint is valid, the Agency will assist

the owner in obtaining prompt corrective action from the Contractor.

In cases when work on the house is completed during winter months or when site conditions do not otherwise allow completion of yard work and a certificate of occupancy has been issued by the building inspector, the contractor may be required to submit all release of liens and sign a conditional completion of work form. Sufficient funds shall be retained to cover the cost of all site work and any other unfinished work until such work is satisfactorily completed. At such time a final certificate of completion shall be signed by all parties as above.

XI. TEMPORARY RELOCATION ASSISTANCE

A. GENERAL

Whenever possible, those residents being relocated or whose homes are being rehabilitated will be encouraged to remain in their existing structure while rehabilitation or new construction work is being done. If the Agency staff makes a determination that the occupant cannot remain in the structure, the Agency will pay the actual cost of moving and establishing another residence for a period to be determined by the Agency in accordance with this temporary relocation policy. This temporary relocation policy is voluntary on the part of the Agency and may not cover all temporary relocation costs.

B. ELIGIBILITY

Temporary relocation assistance is available only upon notification by the Agency that it is necessary for an occupant to move during new construction or rehabilitation activities. Temporary relocation costs must be reasonable and approved prior to the occupant entering into a lease or rental agreement. Expenditures without prior approval of the project manager may be incurred at the risk of the occupant. Temporary relocations must be approved by the project manager. Families that move of their own accord without prior approval for a temporary relocation will not be eligible for reimbursement of costs.

C. MOVING EXPENSE PAYMENT

An occupant who must relocate temporarily while their house is being rehabilitated or reconstructed who is not eligible for moving expenses under the Uniform Act will receive a lump sum payment of \$1000. One half of the lump sum payment will be made when the occupant moves out of the house and the remaining one half will be paid when they move back into their reconstructed home. If an occupant stays in temporary housing on their own property while their house is reconstructed, only \$500 will be paid for one move.

D. RENTAL PAYMENTS

Occupants will be encouraged to stay with friends or relatives especially when the temporary relocation is for a short period of time (30 days or less). Relatives and friends may charge the relocated family rent for providing shelter according to the schedule below. Such agreements must be in writing and approved by the project manager.

1 or 2 persons staying with friends or relatives - \$250

3 or 4 persons staying with friends or relatives - \$300

More than 4 persons staying with friends or relatives - \$350

For longer relocations, the temporarily relocated family will first be given the option of renting any available housing the City may have acquired that would be suitable for temporary housing. Next, the City will work with the local public housing authority to provide temporary housing. If these sources are not available the family can rent other available rental properties. All rental agreements must be in writing.

Rents must be reasonable for the area and generally should not exceed the HUD fair market rent for the locality. For owner-occupants, the City will pay the monthly rent. The occupants will be responsible for all utilities at the temporary site. The utilities included in the rent shall be considered when determining if the occupant shall pay a portion of the rent.

The maximum rent for a temporary relocation payment per household for each month of temporary relocation:

One Bedroom Unit – \$500

Two Bedroom Unit - \$600

Three Bedroom Unit –\$700

Four Bedroom Unit - \$850

Five Bedroom Unit - \$900

For a rental unit, the number of bedrooms is based on the number of bedrooms of the unit the household is moving out of unless additional bedrooms are needed due to overcrowding.

E. DEPOSITS

The occupant shall be responsible for any deposits or lock purchases. The Agency shall not pay any refundable deposits. It is the occupants responsibility to meet all lease or rental requirements to obtain refunds of deposits including notifying the owner or rental agent of when the will be moving out of the unit.

F. STORAGE

If new construction or rehabilitation work cannot be completed with the occupant's household goods in place, the Agency may provide insured storage space. Temporary storage costs must be reasonable and approved by the Agency prior to the occupant entering into a rental agreement for temporary storage. Expenditures without prior approval of the Agency shall be the responsibility of the occupant.

G. LENGTH OF TEMPORARY RELOCATION

For reconstructed houses, the length of the approved temporary relocation shall generally be six months. For rehabilitated houses, the length will be based on the expected time to complete the work. This will allow time for the occupant to move out, a four month construction period and time for the occupant to move into the new house. Temporary relocations beyond six months must be approved by the project manager. Once a certificate of occupancy is issued for the house and the project manager has notified the family that they can now occupy the house, the family will be given a reasonable amount of time to move into the reconstructed /rehabilitated

house. This will generally be 14 to 30 days depending on coordination with the rental agreement. It is the occupant's responsibility to move within the allotted time, clean the vacated temporary residence or storage building and return the key to the owner. The owner must provide proof that they have obtained their homeowners insurance prior to occupying the new house.

Participants must understand that if the house is completed in the winter or during other periods of wet or adverse weather, the yard work may not be completed at the same time as the house. The Agency will not be responsible for rental payments once the house itself is complete. If the occupants fail to vacate the temporary rental property in the time allotted, they shall be responsible for any additional rental payments or loss of deposits. If the temporary relocation is extended due to the failure of the contractor to complete the work on time, the Agency shall deduct the cost of any required additional rent or storage payments from the contract amount as liquidated damages.

XII. ACQUISITION/DISPOSITION

A. VOLUNTARY ACQUISITION

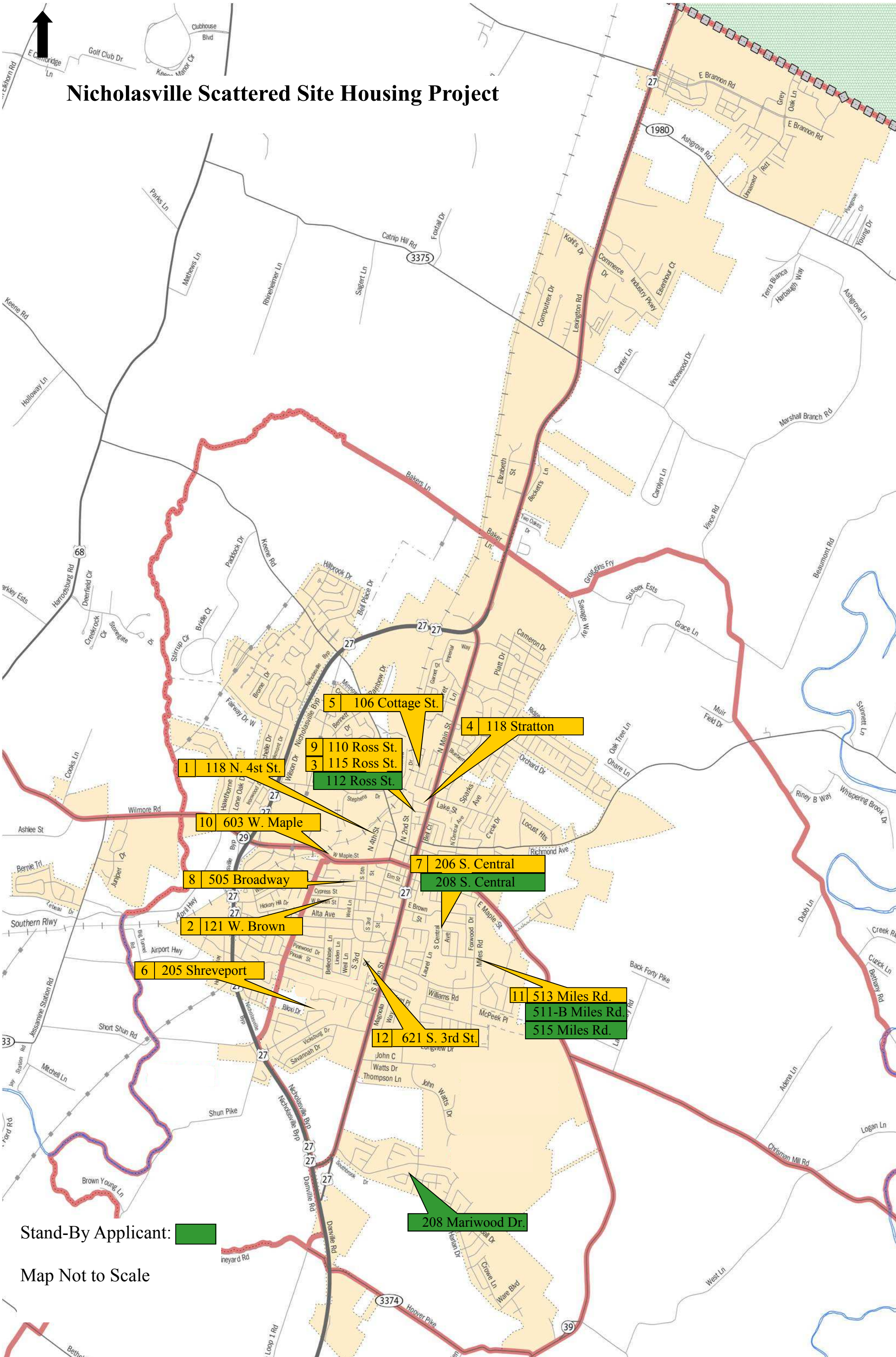
The homes will be reconstructed or repaired on the same site. Relocation to alternate sites may be provided only in the instance where the current home site is not suitable for construction due to flood conditions, unstable earth, excessive slopes, inadequate lot size, or other unsuitable environmental conditions.

When it is determined by the Project Manager in consultation with the City that the site is unsuitable for reconstruction of a home, the city at its option may give homeowner the option of voluntarily selling the property to the City at the estimated fair market value of the property as determined by the City. The PVA valuation of the property shall be considered when determining the sales price. The homeowner must use the proceeds of the sale to purchase a replacement lot with the balance used for construction of the replacement home.

B. PROPERTY DISPOSITION

Any property acquired as part of the project has been determined to be unsuitable for residential construction. The property shall be retained by the city for right-of-way or green space. At its option, the city may deed or sell all or a portion of the property to one or more adjacent property owners. Any property deeded to an adjacent owner shall be consolidated with the adjacent property owner's lot and deed restricted to prohibit future construction on the property. The property shall be required to be maintained to International Property Maintenance Code by deed restriction.

Nicholasville Scattered Site Housing Project



- 1 118 N. 4th St.
- 2 121 W. Brown
- 3 115 Ross St.
- 4 118 Stratton
- 5 106 Cottage St.
- 6 205 Shreveport
- 7 206 S. Central
- 8 505 Broadway
- 9 110 Ross St.
- 10 603 W. Maple
- 11 513 Miles Rd.
- 12 621 S. 3rd St.

112 Ross St.

208 Mariwood Dr.

511-B Miles Rd.
515 Miles Rd.

Stand-By Applicant:

Map Not to Scale

APPENDIX B

NICHOLAVILLE SCATTERED SITE HOUSING PROJECT

NICHOLASVILLE, KENTUCKY

RELOCATION AND ANTI-DISPLACEMENT PLAN

As the Nicholasville Scattered Site Housing Project is a voluntary homeowner rehabilitation project it is not anticipated that the implementation of the project will make it necessary to permanently displace any families. If for some unanticipated reason displacement of a household becomes necessary, the following policies will be followed.

A. Administration

All relocation activities in the City of Nicholasville will be administered by the designated project administrator in accordance with the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970, as amended (Uniform Act) and U.S. Department of Housing and Urban Development's relocation procedures

B. Purpose

The purpose of this relocation function is to provide maximum assistance to persons and families displaced as part of the Community Development Program in obtaining suitable, safe, decent, and sanitary replacement housing.

C. Relocation Standards

1. Physical and Occupancy Standards

All units considered for replacement housing must meet Kentucky Residential Code for new or reconstructed houses and International Property Maintenance Code for houses that are rehabilitated by the program. Any other housing used for relocation purposes must meet the HUD Section 8 Housing Quality Standard, applicable building codes, lead hazard regulations and have the appropriate number of bedrooms for the family size.

2. Ability to Pay

No individual or family should be referred to a comparable replacement dwelling for which the anticipated rent or mortgage payment and utilities will exceed 30% of their gross monthly income, including relocation benefits.

3. Environmental Standards

A suitable replacement housing unit must be in a location free of adverse environmental conditions and of similar accessibility as the displacees former residence to public services, utilities, employment, commercial facilities, churches, recreation, etc.

4. Non-Discrimination

All replacement housing considered for this relocation activity are open to all persons regardless of race, color, religion, disability, familial status or national origin, in a manner consistent with Title VI of the Civil Rights Act of 1968.

5. Proposal for Assuring Availability of Replacement Housing

- a. As no involuntary displacement is anticipated, if it should become necessary only a limited number of persons would be displaced. It is anticipated that there is adequate housing stock within the city to meet any unforeseen need for replacement housing.
- b. Replacement housing for relocation activities must be inspected prior to referral to displacees and subsequent to occupancy to insure that it meets HUD Housing Quality Standards.
- c. No persons being relocated as part of this Community Development Program may be referred to a unit which:
 - a. Is structurally deficient, lacks appropriate water and sewer service, has hazardous lead paint conditions, has inadequate weatherization, or is inaccessible to disabled displacees or otherwise fails to meet HUD Housing Quality Standards and other building codes;
 - b. Has loan payments or rent greater than the displacee's ability to pay;
 - c. Is in a blighted area for which no redevelopment is planned; and
 - d. Is in an inconvenient location from the person's place of employment and for which commercial activities, recreation, church, etc. are not accessible.

6. Relocation Assistance Advisory Services

At the earliest possible date, persons to be displaced as part of the project will be contacted and informed of the relocation procedure, replacement housing referrals, financial assistance, and social services assistance available under the relocation activity. Those being displaced will receive a General Information Notice after the release of project funds. Eligible persons will be informed verbally and given written information about the relocation process and available financial assistance to ensure their understanding of the program and a smooth relocation.

7. Housing Discrimination Complaint:

If a person displaced by this relocation activity is unable to purchase or rent a replacement dwelling because of alleged discriminating practices pertaining to race, color, creed, familial status, or national origin, a HUD Housing Discrimination Complaint Form shall be made available, completed, and filed for each family or individual so aggrieved.

8. Social Services

Persons being relocated will be provided with needed social services counseling prior and subsequent to their relocation. The project administrator shall endeavor to assure the availability of counseling services related to job, financial, educational, health, and other social services. Referrals will be made to governmental, civil, and community agencies.

D. Equal Opportunity

1. The City shall take such actions as listed below to assure that all displaced persons are provided with the maximum opportunities to select replacement housing within the community's total housing supply; lessen racial, ethnic, and economic concentrations; and facilitate desegregation and racially inclusive patterns of occupancy and use of public and private facilities:
 - a. Make full use of HUD properties, multiple listing services, and normal real estate management and brokerage services.
 - b. Inform members of minority groups of housing opportunities in non-traditional neighborhoods and provide services to familiarize them with such neighborhoods.
 - c. Cooperate fully with fair housing groups, human relations bodies, and other social groups, civic and religious groups interested in facilitating freedom of residence.

E. Grievance Procedure

1. Each person being displaced as part of this relocation activity will be informed both verbally and in writing about the city's grievance procedure. The grievance procedure will operate as follows:
 - a. A person may file a written appeal with the Mayor in any case in which the person believes that the agency has failed to properly determine the person's eligibility for, or the amount of a payment required under the Uniform Act, or a relocation payment required under these regulations. Persons may also request an appeal concerning a review of the quality and adequacy of replacement housing. Any person requiring assistance in filing an appeal will be assisted by the project administrator.
 - b. Appeals must be filed within sixty days after the person receives written notification of the agency's determination on the person's claim.
 - c. All appeals will be reviewed in a timely manner and the persons filing the appeal will be notified in writing of the agency's decision, the basis for that decision, and procedures for further appeal.
 - d. A person has a right to be represented by legal counsel or other representative in connection with his or her appeal, but solely at the person's own expense.
 - e. If the appellant is not satisfied with the Mayor's determination, they may then take the appeal to the City Commission. The City Commission will then review the appeal and issue a decision.
 - f. The agency shall permit a person to inspect and copy all materials pertinent to his or her appeal except materials which are classified as confidential by the agency.
 - g. If the City Commission disapproves an appeal, the appellant is entitled to a review by the Kentucky Department for Local Government, Office of Federal Grants, 1024 Capital Plaza Center, Suite 340, Frankfort, Kentucky 40601. A state review may be obtained by sending a written request to the appropriate agency listed above within thirty days after receiving the review findings from the City.

F. Relocation Payments

1. Relocation payments shall be in full conformance with the provisions of the Uniform Act of 1970, as amended.
2. Fixed payments for moving expenses shall be determined in accordance with Department of Transportation, Federal Highway Administration's (49 CFR, Part 24) fixed moving expense payment schedule.

G. Eviction Procedures

Eviction procedures will occur only as a last resort in the project. Eviction will in no way effect the claimant's eligibility for relocation payments once a Notice of Relocation Eligibility has been issued by the Agency.

J. Other Provisions

If questions arise concerning any area not addressed in this Relocation Policy, the provisions of the Uniform Act of 1970, as amended, shall apply.

APPENDIX D

NICHOLASVILLE SCATTERED SITE HOUSING PROJECT

GRIEVANCE PROCEDURES

Grounds

You have the right to appeal any decision of the Project Manager and/or the City of Somerset concerning your eligibility for or the implementation of the Homeowner Rehabilitation program.

Methods and Time Limits for Initiating an Appeal

If your appeal concerns your eligibility for the program, or the amount of a payment or loan, you must file your appeal within 60 days after being notified of your eligibility status and/or the amount of payment. The City will review the facts of the determination and provide a written response to the complaint within 30 calendar days from the receipt of the written complaint. All appeals should be submitted in writing to:

Honorable Russ Meyer, Mayor
City of Nicholasville
517 N Main St
Nicholasville, KY 40356-1155

The City will send you a copy of the decision, a statement of the facts and the basis of the decision, and any changes in its determination. If the grievance cannot be resolved on the local level within 60 days of the original written complaint, appeals may be made to Director, Division of Federal Grants, Department for Local Government, 1024 Capital Center Drive, Suite 340, Frankfort, KY 40601 within thirty (30) days after you receive the review findings from the City. In any review you have the right to be represented by a lawyer or other counsel, and you may appeal any final decisions by the State to the Courts.

If you have any questions concerning these procedures, do not hesitate to contact:

Kriss Lowry, Project Manager
Kriss Lowry & Associates, Inc.
227 S. Rays Fork Road
Corinth, Kentucky 41010-3027

or telephone:

(502) 857-2800
Fax: (502) 857-2401
TDD: 1-800-648-6057

Occupant's Signature

Project Manager

Occupant's Address

Date