

**AGENDA**  
**MONTHLY MEETING OF**  
**THE HEALTH, EDUCATIONAL AND HOUSING FACILITY BOARD**  
**OF THE CITY OF CHATTANOOGA, TENNESSEE**

***Monday, October 17, 2022 @ 12:30 PM***

1. Call to Order.
2. Confirmation of Meeting Advertisement and Quorum Present.
3. Election of Board Officers (Chair/Vice-Chair/Secretary).
4. Approval of the Minutes for the June 27, 2022, meeting.
5. Recognition of Persons Wishing to Address the Board and Procedures.
6. A RESOLUTION AUTHORIZING THE CHAIR OR VICE-CHAIR TO EXECUTE AN AMENDMENT TO FUNDING LOAN AGREEMENT RELATING TO THE TWENTY MILLION DOLLAR (\$20,000,000.00) MULTIFAMILY MORTGAGE REVENUE NOTE FOR PATTEN TOWERS APARTMENT PROJECT SERIES 2019 WITH CITIBANK, N.A., AS FUNDING LENDER. **(HEB2022-08)**
7. A RESOLUTION AUTHORIZING THE APPROVAL TO UTILIZE THE AMENDED APPLICATION GUIDELINES AS COMPLETE FOR THE AFFORDABLE HOUSING FUND (AHF). **(HEB2022-09)**
8. Other Business.
9. Adjournment.



**HEALTH, EDUCATIONAL, AND HOUSING FACILITY BOARD**  
**City of Chattanooga, Tennessee**  
**MONTHLY MEETING MINUTES**  
**John P. Franklin City Council Building**  
**Council Assembly Room**  
**1000 Lindsay Street**  
**Chattanooga, TN 37402**  
**for**  
**June 27, 2022**  
**12:30 p.m.**

Present were Board Members: Gregg T. Gentry (Vice-Chair), Richard Johnson (Secretary), Charles D. Paty, Alexa LeBoeuf, and Andrea L. Smith. Absent were: Hicks Armor (Chair) and Johnika Everhart.

Also present were Phillip Noblett (Counsel to the Board); Sandra Gober and Tony Sammons (Community Development); Jermaine Freeman (Economic Development); Martina Guilfoil and Jake Toner (CNE); and John Wilson (Times Free Press).

Mr. Gentry called the meeting to order, confirmed the meeting advertisement, and established that a quorum was present to conduct business.



**MINUTES APPROVAL FOR THE MAY 16, 2022, MEETING**

On motion of Mr. Johnson, seconded by Mr. Paty, the minutes of the May 16, 2022, meeting were unanimously approved as submitted.

Mr. Johnson complimented Ms. Manalla because the last meeting was very complex. Mr. Johnson read over the minutes twice, and she did such a nice job of really capturing the essence and spirit of everything. Mr. Johnson would like to go on record as to thanking her really for all of her fine work that she does and appreciates her efforts.



## **PUBLIC COMMENTS**

There was no one from the public wishing to comment.

## **PRESENTATION OF THE ANNUAL PILOT REPORT**

Ms. Sandra Gober stated this is the annual update on the PILOT program and projects that have been approved by the HEB Board. This presentation covers all of the housing PILOTs that have been approved to date.

There were three resolutions that have been passed or approved for the housing PILOT. Each resolution sort of updates the most recent PILOT which is Resolution No. 28783 adopted September 20, 2016. It is increasing the number of affordable units that are required for a project to be approved for a PILOT. The 2016 under Mayor Berke resolution, increased the projects requiring 50% of the units to be affordable at 80% AMI. All of the projects are required to be located in the City of Chattanooga.

This update is the current status of each PILOT approved and indicate whether or not the property is currently in compliance with the PILOT requirements. Please also see attached the Annual PILOT report presented to the Board.

## **RESERVE AT MOUNTAIN PASS**

The most recent PILOT approved is the Reserve at Mountain Pass. This was approved in 2021 and is 100% affordable, 240 units, and located in south Chattanooga off of Central Avenue. The project is currently under construction. They broke ground in June 2022. The expectation is that construction will be complete December 2023. The PILOT period for that project is 2024-2040. The investment on that project was \$52 million. It is underway with no issues at this point to report.

## **MAI BELL II**

This project is located at 1715 Union Avenue and is a \$5.7 million investment of 26 PILOT units. The majority of the units at the end of the day will be affordable but 26 of them will be labeled as PILOT units and of the 26 units, in addition have some of the HOME funds in the project which is going to require that at least eight of those units are made available to households even at lower than 80% AMI. The construction started in 2021 and its target completion date is this coming December.

## **BATTERY HEIGHTS APARTMENTS**

This project is located at 3401 Campbell Street. The renovation is expected to be complete in October 2022. They have had some challenges with the renovation namely because of supplier challenges with construction workers. Under this project is renovation and is a state project of \$5.5 million investment, and the PILOT period is 2022 to 2035. The compliance status currently is an existing project that was receiving assistance from THDA/Low Income Housing Tax Credit (LIHTC). They were already preparing to submit reports to THDA with regard to the occupancy indicating that the majority of the residents were low-income tenants.

## **BAYBERRY APARTMENTS**

The Bayberry Apartments are located at 2300 Windsor Street, 2330 Wilson Street, and 1101 Arlington Avenue over in east Chattanooga. This is also a renovation with 163 affordable units, all PILOT units, and all of the units are affordable, the lowest at 60% AMI. The renovation was complete in 2017. The compliance status is that they are compliant per the THDA/LIHTC filing.

## **CHESTNUT FLATS**

The developer for this project is Elmington Chestnut Group LP. In 2019 this was transferred to Mount Auburn, and in March 2022, it was transferred to Starwood Realty. The project is located at 2108 Chestnut Street and the new construction was completed in October 2019. This is a \$22 million project with 199 total PILOT units. The PILOT period is from 2019 to 2033. This project was left off of the presentation.

## **PATTEN TOWERS**

The renovation on that project was complete in March, but if you live in Chattanooga, you were aware of the fire that also took place just as they were about to get the Certificate of Occupancy. They had a setback on that. But the renovations from the fire have been completed. The total reporting units are all PILOT units and all affordable to households at 60% or below.

## **RIDGEWAY APARTMENTS**

The Ridgeway Apartments are located at 1230 Poplar Street which is on the west side. The renovation was completed in 2019, and there are 120 total PILOT units. This project is also affordable to households at or below 60% AMI. The renovation is complete. The project is compliant per THDA/LIHTC filing.

Under Resolution No. 27968, 20% of the units were required to be affordable and this resolution was adopted August 5, 2014.

### **MARKET CITY CENTER**

The construction was completed on September 2017, PILOT period being 2017 to 2031. This is a project under which a staff person under the Housing Community Investment goes on site and reviews the documentation, the rent roll, as well as the application for the tenants to show that they are indeed eligible to occupy the units. Under this project, 25 of those units are required to be affordable to households at or below 80% AMI.

### **1400 CHESTNUT**

The construction was complete in 2019. There is a total of 200 units and 40 of those are affordable to households at or below 80% AMI. The compliance review on this was conducted in December 2021 and based on that review, they are compliant with the requirements.

### **MACLELLAN BUILDING**

There are 89 total units of which 19 of those were required to be affordable to households at or before 80% AMI. The renovation was complete in 2017 with a PILOT period of 2016 to 2034.

### **VUE ON 5<sup>TH</sup>**

The renovations were complete in 2019 and was new construction. Based on the review, which was done very recently in May 2022, the project is compliant with 13 of the units being occupied by eligible households.

### **PASSENGER FLATS**

This is a project that was located near the Choo-Choo through Choo-Choo Partners LP. In 2018, they actually required to be pulled out of the PILOT. The year ended 2018 for this project.

Under Resolution No. 23253, adopted January 8, 2022, the requirement was that the project had to be located in a downtown footprint. There were no income requirements for the units. The PILOT projects developed under that resolution are:

- 1) Bread Factory Lofts;
- 2) MK;
- 3) St. John's Apartments;
- 4) UTC 2;
- 5) UTC 3;
- 6) Walnut Commons; and
- 7) Frazier Place.

The Jaycee Towers is a little exceptional in that the HEB did not approve this. This was actually completed and done through the Chattanooga Housing Authority. All of the units under this project are affordable. The household for this that are implemented is 50% and below.

**Questions:**

Mr. Johnson asked, what are roughly the parameters inclusive of downtown Chattanooga? Would that be – that’s not East Lake and not Alton Park. What is the definition? Ms. Gober stated there is actually a map that outlines the footing. Ms. Gober does not have that map, but under the most recent one, is it anywhere in the City is Chattanooga? Mr. Johnson’s understanding is -- and we only have one property that was Passenger Flats that they decided to terminate. Were they not in compliance? Is that something we had to initiate from the attorney’s office or is this something that they did of their own? Mr. Noblett stated they voluntarily chose to terminate that because they thought they could make more on the market than they could on low to moderate income. They pulled out of the tax benefit that they received as a PILOT and chose to do that on their own.

Mr. Johnson would like to thank the Department of Economic Development, that we really had no one to legally get after, and speaks well of your due diligence. It frankly speaks well of the Board and the attorney’s office that we take it very seriously and we have not had anyone that has not been non-compliant that really did not create any issues whatsoever. Is that accurate? Mr. Noblett stated so far. We are taking today as it comes. So far, we are doing well.

Mr. Noblett stated that one that was left out was Chestnut Flats, and the reason Mr. Noblett was trying to bring that up is that is at 2108 Chestnut Street. It has been transferred to two different groups since it started. It started out as Elmington Group, then it was Mount Auburn, and most recently this body acted on it in March which was transferred to Starwood Realty. According to your review of that property as of December and April of 2020, there have been reviews each time, and it was appropriate. It was a \$22 million investment, and it had completed construction in 2019. It goes through 2033. In that regard, that is a benefit for the City at least in providing 199 PILOT units there.

Mr. Gentry stated we appreciate Ms. Gober’s great work in accomplishment of the report provided today.



## **RESOLUTIONS**

On motion of Mr. Johnson, seconded by Ms. Smith,

### **A RESOLUTION TO AMEND CERTAIN REQUIREMENTS, GUIDELINES, AND RELATED DOCUMENTS OF THE AFFORDABLE HOUSING FUND. (HEB2022-06)**

Mr. Noblett stated this is a resolution where the Board was asking them to come up with some sort of Affordable Housing Fund application information and guidance to people. Ms. Gober has worked on that preparing an overview. There may need to be more changes.

Ms. Gober stated that at the last meeting when there was a discussion regarding the 60% versus the 80% for affordable rental units, the intent is to ask for changes to the guidelines to accommodate that which is updating the affordable guidelines for changing rental from 60% to 80% and for homeownership actually amending the requirements to change the income limits from 80% and raising it up to 120% AMI to accommodate low class housing. This was during 2020-2021 before it was actually approved and allowed us to utilize some of the funding to assist households with rent utility assistance. It was passed and approved and want to incorporate those requirements and guidelines. The document can also outline the criteria in the manner in which is a requirement which assistance can be provided in those circumstances. That was not incorporated in the guidelines and just really improved for us to be able to do it, but we never adjusted the application to again reflect the criteria for such a program where we received an application for funding.

Currently, and this was part of the discussion also, was the limit on which an applicant can apply for. They currently had it at \$500,000 but again, in light of the challenges having with affordable housing, it is not just Chattanooga but nationwide. Just having the flexibility to be able to evaluate each application by application or project by project and determine the actual need with regard to what is feasible to be used into a project. If we are talking about some of the larger projects, \$500,000 the max, it really would not be feasible. More than likely, if we are looking at density and larger projects, we need to be able to really, in some instances, probably exceed that \$500,000. We just wanted the flexibility to be able to evaluate each request project by project and utilizing the standard underwriting procedures and that will be articulated and laid out in the application. The date also would be the underwriting criteria to evaluate each project to determine the maximum need for the project.

The other changes Ms. Gober would like to accommodate in the guidelines and the requirements is really just to structure it so that it does accommodate applications for plans and studies. Right now, the way the guidelines and the application are really written more towards construction-type projects, and it needs to be a set-criteria clearly articulated in there to accommodate scoring and evaluation of project requests for funding. Plans and studies are unique activities which the program does allow, but it is just to articulate it in the guidelines real clearly.

Mr. Gentry asked the 60% and 80% change is up to 80%, its 80% will not be hardwired and that would be discussion and negotiations if there is set aside at 80% versus 60%. It will give flexibility to go up to 80% but not necessarily 80% on every project, every unit within a project, is that correct? Ms. Gober stated yes.

Ms. LeBouef stated the change in parameter is the 25 to 2,500. There is no longer any parameter, it is open for discussion, it is not limited by minimum or maximum anymore. Ms. Gober said exactly.

Mr. Johnson asked relative to the funding format, is he correct in, he believes, in the past there was some federal funding at no interest, forgivable loans, but that was during COVID. So those are really not available now. That is why they were taken out? Ms. Gober asked Mr. Johnson to repeat that because she could not hear clearly. Mr. Johnson stated that on the funding format, you struck through the no interest/no payment loan and his understanding was those were available from a federal level during COVID but now they are no longer available. Ms. Gober stated the change for that is really also to accommodate and provide a flexibility. Some of the projects no doubt could not make the funding available as a grant. It is more likely a study or homeownership, sometimes the funding will be made available as a grant. Just depending on the project, itself, it allows us to use the funding either as a grant, no interest loan, or amortizing loan. Just having the ability to evaluate and underwrite each project sort of on its own and then based on that, we would determine should the funding used as a grant loan or forgivable loan.

Ms. LeBouef had a question on the application process. This was really helpful and liked the parameters, it is very clear to apply it. Ms. LeBouef did not know in the application process what is communicated to applicants in terms of timelines and how that has been viewed by Ms. Gober and then what the timeline is for it to come before the Board for a process of applying the criteria. What is that current timeline? Ms. Gober stated that this is really just a summary. The application is a 10-page document and does outline the prospects in which we accept and vet applications. The updated version will even more clearly be outlining those kinds of things. The current application does not accommodate. We accept the application on an ongoing basis, that the applications were vetted and reviewed by the City staff and presented to the HEB on the third Monday.

Mr. Noblett asked Ms. Gober if she was going to be bringing back some related documents in the future. Ms. Gober stated at the next board meeting, she should be able to have that document. She is anticipating that it will be a 20-25-page document as it is going to be comprehensive and outline all of the criteria and to accommodate more so for the types of applications that we can receive under the program. It is more structured for construction, and we need to be able to ask some additional questions depending on the type of application that we are receiving.

The resolution was unanimously adopted.

**ADOPTED-June 27, 2022**



On motion of Mr. Johnson, seconded by Ms. LeBoeuf,

A RESOLUTION ALLOCATING FIFTY-FIVE THOUSAND DOLLARS (\$55,000.00) TO CHATTANOOGA NEIGHBORHOOD ENTERPRISE, INC. TO HAVE A HOUSING AFFORDABILITY ANALYSIS CONDUCTED THROUGH HR&A ADVISORS, INC. (HEB2022-07)

Ms. Martina Guilfoil stated that this is a really timely study especially what Ms. Gober was saying. One of the challenges that they have had for years is what is the appropriate subsidy. When products come to the Board, they want to know are they over-subsidizing, is this too much, is the project going to be viable, ongoing, based on the amounts of subsidies.

Subsidies will vary based on the amount of the subsidy. Subsidies will vary based on a one bedroom or three bedrooms, it will vary based on a model. CHA has a different model than CNE which is different than the LIHTC projects that we were just talking about. Ms. Guilfoil was really interested in, how can we define what this looks like, and how do we build the framework? How do people know what the rules are? Right now, there really is not a rule and go in and kind of negotiate around what sounds like a good subsidy but whether or not that is what it is going to cost me to build or not.

HR&A has come to Chattanooga before, and actually coming to town this week, and doing some work with RiverCity Company on downtown economic analysis. They are very well experienced in the affordable housing area. They have done these sorts of studies across the country, and what they will do is come into town and talk to a lot of people, look at CNE's cost, and also look at other costs, not just CNE. They are going to look at what other different subsidy models, what does it cost to build, and just mentioned unit size for example, is that a different number? What she really is interested in as well is as we look at neighborhoods and affordable housing development, CNE's model is really to go into neighborhoods and surgically insert small format and missing level projects -- duplexes, quadplexes, six-plexes. They are getting ready to build a ten-plex on Bailey Avenue, and then the small format apartment building, the Mai Bell, is the biggest thing they have built so far is 47 units versus the big LIHTC projects are like 150 units. Those take a different sort of subsidy of different models. It is all important as we look at, how do we start really building and getting velocity of affordable units in Chattanooga? We have to know what all these models are so we can build out a framework. They are going to look at all of that and look at what are some financing vehicles out there.

For example, CNE can get four percent or below prime with a CIT community that has been tax credit offered through the state, and the bank, which is up until two weeks ago, zero percent financing. Now we are paying half a point or one point on all of their money. That really helps lower the subsidy required but for a profit developer, would not have that available. Based on the model that is being put forth, the subsidy is going to change.

For governing bodies, what are some other cities compared to Chattanooga are doing? We can look and say here are some other models that folks are doing, does it make sense, or do we do something different that you can compare. Also, from her perspective, what she is interested in from a policy level, and she thinks the City will be too. The Low-Income Housing Tax Credit Program at the state has been very disadvantaged to Chattanooga. It has been very hard to fit not impossible to get 9% tax credit money to the City for over ten years. Whatever the guidelines they are working under, how can we influence that maybe with the Mayor and Oscar Brock is working on policy. They really want to go to the state and start putting pressure on THDA and other forces to say we need our fair share here in Chattanooga to build out. As prices have gotten more and more expensive, land is more and more expensive. How we layer and bring as many resources to the table as possible is so critical. That is really what this study is meant to be to come back and say from a reputable organization here is something that we can talk through and at least we have data, but then we can discuss what makes sense for the City. That is what the study is and hoping that the Board will fund it.

### **Questions:**

Mr. Johnson thanked Ms. Guilfoil for preparing this, and he read it quite thoroughly, thought it was very well done, and answered a majority of his questions. Mr. Johnson likes the fact that you wanted to have some market assumptions or bench lines. Mr. Johnson also likes the fact that the state knows we have done our due diligence for the most part. Mr. Johnson thinks the Office of Economic Development, particularly as it relates to housing and community investment, he would imagine that you guys are for this set.

Mr. Freeman stated we are. We support studies for a couple of different reasons. We think studies can help provide some updated market information as described. We like HR&A. They are working on a project with HR&A Advisors. They have applied for a Tennessee Opportunity PILOT Grant from the State of Tennessee from the Department of Human Services. Mr. Freeman was really impressed with the team that HR&A brought to the table and put together to work with them. HR&A would be a great partner. They are also involved in the HR&A workshop that Ms. Guilfoil mentioned with RiverCity Company and will be attending that later this week.

Mr. Freeman stated as a side note, he thinks one of the things the City would like to do and the Department of Economic Development would like to do, which does not necessarily be covered in the scope that CNE is working on, is we would also like a sort of comprehensive list of approach of other capital sources that could be used as part of capital stacks for housing developers. Often times there is a reliance on the City of Chattanooga to lead in terms of providing incentives and resources for affordable housing development, and we are certainly willing to do that, however, there are also other financing tools and options that are available beyond the City scope. As part of an ongoing affordable housing effort, we will eventually probably become involved with a request to do sort of a more robust study that analyzes and can identify other sources of funding that are not traditionally used by affordable housing developers in this market. They are very supportive of this project and believe that CNE being a leading partner in affordable development in our City, is an opportune time for this to be done.

Ms. LeBouef was super-excited to see this as well. Her question ties into what Mr. Freeman raised was the scope of the project because both CNE and the City are mentioned. Ms. LeBouef is curious to know about other models being looked at and putting CNE in the larger scope with the City. What do you all see as the scope and the deliverables when this matrix is built when you are looking at the available subsidies and available models? Ms. LeBouef is curious to see how it feeds up to the City strategy.

Mr. Freeman stated that one of the conversations they had for a long period of time is, what is the appropriate level of subsidy that the City should be subsidizing. For a long time, that number has been roughly \$40,000 per year. As we know, the cost of the development of housing have become more expensive, trying to land on what the appropriate subsidy level is, regardless of what the source of the funding is, whether it is affordable housing fund dollars, the General Fund, CBG, HOME, or ESG, landing on the appropriate number, and trying to decide what is the right level that the City should wisely subsidize that.

If you look at different cities and different affordable housing policies across the country, different jurisdictions have different levels of sources they fund. Part of that is because of the jurisdiction and the cost of construction and building in those jurisdictions. Mr. Freeman thinks that is a big part of the work they want to do for the Affordable Housing Fund that the Mayor recently asked of a \$100 million fund on which \$33 million will come directly from the City's budget on July 1<sup>st</sup>.

We also want to continue to work with CNE, Habitat for Humanity, and other affordable housing partners to figure out, now that we have identified what the right level of source is, what are the other pots of money that we can go after whether they are local, state, and federal, and to use in terms of building out capital stacks. Ultimately, if we want to officially use -- \$100 million is going to go fast. Ultimately, if we want to do that, we have got to also figure out ways that we can leverage and bring into Chattanooga other sources of funding that our affordable housing partners do not typically tap into.

Ms. LeBouef said yes, the matrix which she really liked would put a number to one-bedroom unit and supportability which would inform CNE's development and help the City think through the big picture at the City level. Ms. LeBouef knows, in certain parts of the City, another added factor is an environmental factor. As part of the costs, are they thinking through that where development might take place in relationship to the subsidy that it may require the capital stack study?

Mr. Freeman thinks that is a great question too and thinks that one of the things that we can work with Ms. Guilfoil on, and talk to HR&A about, is that most of the City is Brownfield. Then we should probably make sure that it be built into the average subsidy costs per household over on the Brownfield remediation costs are. Obviously, CNE is currently working on a project that is currently Brownfield, we run into that all the time and walk outside without stepping onto Brownfield, it certainly would behoove all of us to make sure that we are including the cost of Brownfield redevelopment as part of the subsidy cost. It is so common.

Ms. Guilfoil thinks that the matrix also involves a small format apartment building, LIHTC is really at 62 units which is probably the minimal size when you are trying to do a LIHTC project. There 150 units to 200 units. That is a totally different model that it might be appropriate in certain places but that is very different. She cannot access Low-Income Housing Tax Credits if she is doing a six-plex and fitting it within the neighborhood. In her mind, hopefully that is kind of what she wants to show in this matrix is different types of affordable housing and then the types of financing that is available. If you do, LIHTC or THDA has several different other programs, you are really drilling down at the end of low income and that is going to increase. That subsidy goes up and who is going to pay for that. Ms. Guilfoil is hoping that as much of that as possible will get done under this study, and she thinks one of the advantages of having HR&A do this is that when the City is ready to kind of build out its use of this \$60 million, that still has to be raised. We have a good solid foundation with what that looks like.

Mr. Noblett asked Mr. Freeman if we have \$55,000 where we can pay for this? Mr. Gentry stated that is an important question. Ms. Gober stated yes, but the current balance in the Affordable Housing Fund is more than sufficient to cover the \$55,000. Mr. Noblett wanted to make sure that this Board has access to those funds.

Mr. Gentry asked, we assume in three months after the study is complete by HR&A, that we will get either a written copy of the report and/or an update from Ms. Guilfoil, or someone else. Ms. Guilfoil stated it will be totally transparent.

The resolution was unanimously adopted.

**ADOPTED-June 27, 2022**

There being no further business, the meeting adjourned at 1:15 p.m.

Respectfully submitted,

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*Richard A. Johnson, Secretary*

APPROVED:

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*Hicks Armor, Chair*

**RESOLUTION**

A RESOLUTION AUTHORIZING THE CHAIR OR VICE-CHAIR TO EXECUTE AN AMENDMENT TO FUNDING LOAN AGREEMENT RELATING TO THE TWENTY MILLION DOLLAR (\$20,000,000.00) MULTIFAMILY MORTGAGE REVENUE NOTE FOR PATTEN TOWERS APARTMENT PROJECT SERIES 2019 WITH CITIBANK, N.A., AS FUNDING LENDER.

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BE IT RESOLVED, that it is hereby authorizing the Chair or Vice-Chair to execute an Amendment to Funding Loan Agreement relating to the \$20 million Multifamily Mortgage Revenue Note for Patten Towers Apartment Project Series 2019 with CITIBANK, N.A., as Funding Lender.

ADOPTED: October 17, 2022

THE HEALTH, EDUCATIONAL, AND  
HOUSING FACILITY BOARD OF THE CITY  
OF CHATTANOOGA, TENNESSEE

Attest:

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Hicks Armor, *Chair*

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Richard Johnson, *Secretary*

## **Funding Loan Agreement Modifications – Overview for Issuers**

Citi is the largest affordable housing lender in the country, originating over \$10 billion in loans the past few years. Much of those loans were originated and held on a proprietary basis on Citi's balance sheet.

In order to continue providing an essential service to the affordable housing market, Citi plans to securitize certain portions of its affordable multifamily housing loan portfolio and deploy freed up capacity into the origination of new affordable multifamily housing loans.

These securitizations will be done through municipal conduit issuers (e.g., Cal HFA) with Citi selling its loans to the municipal issuer who will purchase the loans by issuing pass-through certificates secured by the loans into the municipal market.

The pass-through certificates will be rated investment grade by S&P and will be sold to investors in a public offering where Citi Global Markets Inc. will act as the underwriter. Citi has worked with S&P on eight such securitizations and has received BBB or BBB+ ratings on the pass-through certificates.

Because the FLAs Citi executed historically did not contemplate this specific type of securitization structure, Citi has had to modify the transfer provisions of the FLAs between Citi and each respective governmental lender for the securitizations that Citi is structuring and underwriting.

Specifically, the amendments to the FLAs allow for the following:

- Transfers to (i) a governmental entity or (ii) a trust or custodial arrangement established by a governmental entity, as long as any beneficial interests that are issued and secured by the loans are either (a) rated BBB- or higher (investment grade) or (b) purchased by a QIB;
- Removing the Minimum Beneficial Ownership Amount requirement for such transfers; and
- Removing the requirement for investor letters (also referred to as transferee representations in some of the tax-exempt loan deals) for such transfers.

Ultimately, we believe that securitizing performing, well secured, seasoned loans on a pooled basis (with full disclosure documentation and investment grade ratings) will:

- create greater liquidity and reduce costs for affordable housing developments,
- ensure continued competition in the affordable housing finance market, and
- develop more affordable housing in your community.

**AMENDMENT TO FUNDING LOAN AGREEMENT**

by and between

**CITIBANK, N.A.,**  
as the Funding Lender

and

**THE HEALTH, EDUCATIONAL AND HOUSING FACILITY BOARD OF THE CITY OF  
CHATTANOOGA, TENNESSEE,**  
as the Governmental Lender

dated as of \_\_\_\_\_ 1, 2022

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relating to:

\$20,000,000  
Original Principal Amount  
The Health, Educational and Housing Facility Board of the City of Chattanooga, Tennessee  
Multifamily Mortgage Revenue Note  
(Patten Towers Apartments Project)  
Series 2019

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**AMENDMENT TO FUNDING LOAN AGREEMENT**

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## AMENDMENT TO FUNDING LOAN AGREEMENT

This **AMENDMENT TO FUNDING LOAN AGREEMENT** dated as of \_\_\_\_\_ 1, 2022 (this "**Amendment**"), by and between **CITIBANK, N.A.** (together with any successor to its rights, duties and obligations hereunder, the "**Funding Lender**"), and **THE HEALTH, EDUCATIONAL AND HOUSING FACILITY BOARD OF THE CITY OF CHATTANOOGA, TENNESSEE** (together with any successor to its rights, duties and obligations hereunder, the "**Governmental Lender**").

A. Pursuant to the terms of that certain Funding Loan Agreement dated as of June 1, 2019 (the "**Original Funding Loan Agreement**"), the Governmental Lender issued its promissory note in the maximum principal amount of \$20,000,000 (the "**Governmental Lender Note**").

B. The proceeds of the Governmental Lender Note were used to fund a loan in the total principal amount of \$20,000,000 to Patten Affordable Partners, LP, a Tennessee limited partnership (the "**Borrower**") from the Governmental Lender pursuant to that certain Borrower Loan Agreement dated as of June 1, 2019, by and between the Governmental Lender and the Borrower for the purposes described therein.

C. The Funding Lender is now the holder of the Governmental Lender Note and is the Funding Lender under the Original Funding Loan Agreement.

D. The Funding Lender and the Governmental Lender have agreed to make certain changes to the Original Funding Loan Agreement.

For and in consideration of the mutual agreements hereinafter contained, the parties hereto agree as follows:

### ARTICLE I

#### DEFINITIONS AND INTERPRETATION

Section 1.1. Definitions. The capitalized words and terms used in this Amendment shall have the meanings as set forth in the Original Funding Loan Agreement, unless the context or use indicates a different meaning or intent, or unless a different meaning is ascribed to them herein.

Section 1.2. Interpretation. Unless the context clearly requires otherwise, words of masculine gender shall be construed to include correlative words of the feminine and neuter genders and vice versa, and words of the singular number shall be construed to included correlative words of the plural number and vice versa. This Amendment and all the terms and provisions hereof shall be construed to effectuate the purpose set forth herein and to sustain the validity hereof.

Section 1.3. Titles and Headings. The title and headings of the articles and sections of this Amendment have been inserted for convenience of reference only and are not to be considered a part hereof and shall not in any way modify or restrict any of the terms or provisions hereof and shall never be considered or given any effect in construing this Amendment or any provision hereof or in ascertaining intent, if any question of intent should arise.

## ARTICLE II

### AMENDMENTS

Section 2.1. Amendment to Article I. Section 1.1 of the Original Funding Loan Agreement is hereby amended by deleting the definition for “*Approved Transferee*” in its entirety and replacing it with the following:

“Approved Transferee” means (1) a “qualified institutional buyer” (“QIB”) as defined in Rule 144A promulgated under the Securities Act of 1933, as in effect on the date hereof (the “Securities Act”), that is a financial institution or commercial bank having capital and surplus of \$5,000,000,000 or more, (2) an affiliate of the Funding Lender, (3) a trust or custodial arrangement established by the Funding Lender or one of its affiliates or any state or local government or any agency or entity which is a political subdivision of a federal, state or local government (a “Governmental Entity”), in each case (i) the beneficial interests in which will be owned only by QIBs or (ii) the beneficial interests in which will be rated in the “BBB” category or higher without regard to modifier (or the equivalent investment grade category) by at least one nationally recognized rating agency, or (4) a Governmental Entity.

Section 2.2. Amendments to Article II. Section 2.4(b) of the Original Funding Loan Agreement is hereby amended by adding the following proviso to the end:

provided, however, that no Required Transferee Representations shall be required to be delivered by transferees or beneficial interest holders described in clauses (3) or (4) of the definition of “Approved Transferee.”

Section 2.4(c) of the Original Funding Loan Agreement is hereby amended by adding the following proviso to the end:

provided, however, that beneficial ownership interests in the Governmental Lender Note and Funding Loan described in clause (3) of the definition of “Approved Transferee” may be sold in any amount without regard to the Minimum Beneficial Ownership Amount.

## ARTICLE III

### MISCELLANEOUS

Section 3.1. Ratification of the Original Funding Loan Agreement. Except as supplemented and amended hereby, the Original Funding Loan Agreement is in all respects ratified and confirmed and the Original Funding Loan Agreement as so supplemented and amended hereby shall be read, taken and construed as one and the same instrument. Except insofar as herein otherwise expressly provided, all the provisions, definitions, terms and conditions of the Original Funding Loan Agreement as supplemented and amended hereby, shall be deemed to be incorporated in, and made a part of, this Amendment, and the Original Funding Loan Agreement as supplemented and amended by this Amendment and as otherwise supplemented and amended is in all respects ratified and confirmed.

Section 3.2. Authorization of Amendment. This Amendment shall be construed as having been authorized, executed and delivered under the provisions of Section 10.1 of the Original Funding Loan

Agreement. The Funding Lender hereby waives the provisions of Section 10.3 of the Original Funding Loan Agreement requiring the delivery of an Opinion of Counsel and a Tax Counsel No Adverse Effect Opinion in connection with the execution of this Amendment.

Section 3.3. Binding Effect. This Amendment shall inure to the benefit of and shall be binding upon the Governmental Lender, the Funding Lender, any Approved Transferee and their respective successors and assigns.

Section 3.4. Severability. If any provision of this Amendment shall be held or deemed to be or shall, in fact, be illegal, inoperative or unenforceable, the same shall not affect any other provision or provisions herein contained or render the same invalid, inoperative, or unenforceable to any extent whatsoever.

Section 3.5. Governing Law. This Amendment shall be governed exclusively by and construed in accordance with the internal laws of the State applicable to contracts made and performed in the State.

Section 3.6. Inclusion as Part of the Funding Loan Agreement. This Amendment on its delivery shall be a part of the Funding Loan Agreement and all references herein to "Funding Loan Agreement" shall include reference to this Amendment as well as the Original Funding Loan Agreement.

Section 3.7. Counterparts. This Amendment may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

[Signature Page for Patten Towers Apartments Funding Loan Agreement Amendment]

IN WITNESS WHEREOF, the parties have executed this Amendment to Funding Loan Agreement, all as of the date first above written.

THE HEALTH, EDUCATIONAL AND  
HOUSING FACILITY BOARD OF THE CITY  
OF CHATANOOGA, TENNESSEE

By: \_\_\_\_\_  
Name: Hicks Armor  
Title: Chair

CITIBANK, N.A., as Funding Lender

By: \_\_\_\_\_  
Name: Jacob Zlotoff  
Title: Authorized Signatory  
Citi Deal ID #26032

RESOLUTION

A RESOLUTION AUTHORIZING THE APPROVAL TO UTILIZE THE AMENDED APPLICATION GUIDELINES AS COMPLETE FOR THE AFFORDABLE HOUSING FUND (AHF).

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NOW THEREFORE, BE IT RESOLVED BY THE HEALTH, EDUCATIONAL AND HOUSING FACILITY BOARD OF THE CITY OF CHATTANOOGA, That it is hereby authorizing the approval to utilize the amended Application Guidelines as complete for the Affordable Housing Fund (AHF).

ADOPTED: October 17, 2022

THE HEALTH, EDUCATIONAL AND HOUSING  
FACILITY BOARD FOR THE CITY OF  
CHATTANOOGA, TENNESSEE

---

Hicks Armor, *Chair*

ATTEST:

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Richard Johnson, *Secretary*

**HEB-2022-09**

# Chattanooga Affordable Housing Fund (CAFH)

## Program Overview

The Chattanooga Affordable Housing Fund (CAHF) leverages Federal, State, and private dollars to incentivize expanded availability of and access to affordable rental and homeownership for households in Chattanooga, earning up to 120% of area median income (AMI). Funding is made available for:

- Creating or preserving affordable rental units and housing for homeownership through new construction and/or renovation,
- Increasing access to homeownership through collaborative homebuyer programs,
- Providing resources to assist vulnerable households in accessing and or retaining housing
- Leveraging funding by working with for-profit and nonprofit entities - home builders, Realtors, foundations, financial institutions, etc., and
- Exploring various tools to achieve the desired outcomes, including but not limited to: possible policy changes, providing access to resources to assist with wealth building and retention, reducing, and eliminating barriers to producing/preserving/ or accessing affordable housing.

<p><b>Minimum/ Maximum Total Funding Request:</b></p>	<p>No minimum or maximums - determined project by project, based on:</p> <ul style="list-style-type: none"> <li>• Demonstrated community need for proposed project/program/activity</li> <li>• Demonstrated need for level of funding being requested,</li> <li>• Project/program/activity timeline</li> <li>• Income level of beneficiaries to be assisted,</li> <li>• Alignment with the City’s affordable housing goals and objectives</li> <li>• Leverage ratio of the project</li> <li>• Cost vs benefit</li> <li>• CAHF available balance of funds</li> </ul>
<p><b>Funding Format:</b></p>	<p>Based on proposed project/program/activity, funding is made available in the form of grants, direct loans, forgivable loans, loan guarantees, other forms of credit enhancements, and payments on behalf of clients in housing assistance programs. Funds are typically dispersed on a reimbursement basis.</p>
<p><b>Eligible Use(s):</b></p>	<p><b>(1) Rental Housing</b></p> <ul style="list-style-type: none"> <li>• Acquisition</li> <li>• Renovation</li> <li>• New Construction</li> <li>• Emergency housing assistance</li> </ul> <p><b>(2) Homeowner Housing</b></p> <ul style="list-style-type: none"> <li>• Acquisition</li> <li>• Renovation</li> <li>• New Construction</li> <li>• Emergency housing assistance</li> </ul> <p><b>(3) Strategic research, plans, and reports</b></p>

<b>Eligible (funded) costs:</b>	Construction/renovation costs, emergency housing assistance on behalf of eligible households, and direct cost associated with strategic research, relevant plans, or housing reports.	
<b>Project Location:</b>	All assisted housing units must be physically located within the city limits of Chattanooga. Other proposed projects or services must show benefit for City of Chattanooga residents.	
<b>Application Process:</b>	Projects are identified through an ongoing application process. Applications are vetted by the Department of Economic Development (ED)'s Division of Housing & Community Investment (HCI) and presented to the Health, Educational and Housing Facilities Board (HEB) for consideration. The HEB meets monthly on the third Monday.	
<b>Eligible Applicants:</b>	For-profit and non-profit entities with a minimum of 3 years' experience, in undertaking projects/activities similar in size or complexity, and in good standing with the City.	
<b>Targeted Households:</b>	Households meeting income eligibility guidelines, not to exceed: <ul style="list-style-type: none"> <li>Rental housing - &lt;= 80% AMI</li> <li>Homeowner housing - &lt;= 120% AMI</li> </ul>	
<b>Minimum Period of Affordability for Constructed/Renovated Housing Units:</b>	7 to 20 years, based on level of funding and type of project	
<b>Application Fee:</b>	An application fee is due along with <b>EACH</b> application submitted. Based on the total amount of request, as follows:	
	Funding Request	Fee
	< \$100,000	\$100.00
	\$100,001 - \$300,000	\$500.00
	\$300,001 - \$400,000	\$1,000.00
	> \$400,000	\$1,500.00
<b>Application and Guidelines</b>	<a href="https://chattanooga.gov/economic-development/home-application">https://chattanooga.gov/economic-development/home-application</a>	
<b>Funding</b>	The CAHF is capitalized with City general funds and other local resources	

## Background

***EVERY CHATTANOOGAN has the right to a safe, affordable and stable home. The City of Chattanooga will increase the supply of truly affordable housing, ensuring equitable access, through an approach that is practical and tailored to each neighborhood. Whether the right approach calls for zoning changes, incentives with community benefits, utilizing existing resources, or establishing partnerships with local stakeholders, we will use common sense practices and a variety of tools to remove existing barriers and create affordable options, while promoting the health and wellbeing of our community. ONE CHATTANOOGA Strategic Framework May 2022: [https://connect.chattanooga.gov/wp-content/uploads/2022/05/One\\_Chattanooga\\_Plan.pdf](https://connect.chattanooga.gov/wp-content/uploads/2022/05/One_Chattanooga_Plan.pdf)***

The ONE Chattanooga Strategic Framework establishes the City of Chattanooga's affordable housing priorities as follows:

1. Expand affordable housing inventory across the city
2. Diversify the range of capital options available for affordable housing development
3. Expand supportive housing resources to end chronic homelessness
4. Support both tenants and housing providers with housing security and eviction prevention resources
5. Preserve land for affordable housing in transitioning neighborhoods

In that the Chattanooga Affordable Housing Fund (CAHF) was created to leverage Federal, State, and private dollars to incentivize expanded availability of and access to affordable rental and homeownership for low and moderate-income households in Chattanooga through:

- Creating or preserving affordable rental units and housing for homeownership through new construction and/or renovation,
- Increasing access to homeownership through collaborative homebuyer programs,
- Providing resources to assist vulnerable households in accessing and or retaining housing
- Leveraging funding by working with for-profit and nonprofit entities - home builders, Realtors, foundations, financial institutions, etc., and
- Exploring various tools to achieve the desired outcomes, including but not limited to: possible policy changes, providing access to resources to assist with wealth building and retention, reducing, and eliminating barriers to producing/preserving/ or accessing affordable housing,

CAHF is a resource the City is making available to eligible entities, as leverage in partnering with the City to address affordable priorities for households earning up to 120% of area median income (AMI).

## Eligible Applicants

For-profit and nonprofit entities with a minimum of 3 years' experience, in undertaking projects/activities similar in size or complexity and City departments may submit proposals for consideration. Applicants with no experience may apply if partnered with an experienced entity.

For-profit entities partnering with nonprofit entities serving special needs populations (physical/mental illness, veterans, homeless, etc.) will receive an additional 10 points toward their overall score.



## Funding Awards

### Funding Format

Based on proposed project/program/activity, funding is made available in the form of grants, direct loans, forgivable loans, loan guarantees, other forms of credit enhancements, and payments on behalf of clients in housing assistance programs. Funds are usually dispersed on a reimbursement basis.

### Minimum/Maximum Awards

There is no established minimum funding request. Maximum funding, per application, is determined on a project by project basis, based on demonstrated need.

### Eligible Projects

The City's objective is to increase the supply of truly affordable housing, ensuring equitable access, through an approach that is practical and tailored to each neighborhood. Whether the right approach calls for zoning changes, incentives with community benefits, utilizing existing resources, or establishing partnerships with local stakeholders, the City is open to common sense practices and a variety of tools to remove existing barriers and create affordable options, while promoting the health and wellbeing of our community. Following are among the types of activities that are eligible for funding consideration:

- Newly-constructed single-family homes for rent or for sale
- Renovated single-family homes for rent or for sale
- Newly-constructed small and large-scale apartment developments for rent, i.e. LIHTC projects
- Renovated small and large-scale apartment developments for rent, projects
- Newly-constructed or renovated mixed-use developments
- Acquisition/renovation/construction of duplexes for owner-occupied rental
- Pre and post development tools to achieve desired outcomes in support of affordable housing, such as feasibility studies, housing plans, and other initiatives identifying resources relative to producing and preserving affordable housing
- Programs that assist vulnerable citizens in accessing and or retaining housing i.e. rent, mortgage, and utility assistance for low-moderated income households impacted by COVID or other emergencies identified by the City

Assistance through the Chattanooga Affordable Housing Fund is available as supplemental funding for a wide range of projects, programs, and activities addressing and aligning with the City's affordable housing priorities. The funding must be essential to the project/program/activity. Along with demonstrating need for the funding, applicants must demonstrate capacity for undertaking and completing proposed the request. **All projects must be located within the City limits of Chattanooga** and demonstrate:

- Alignment with the City's affordable housing goals and objectives
- Public purpose
- Community need for proposed project/program/activity
- Need for level of funding being requested
- Financial feasibility - cost vs benefits, including timeline for completing the project
- Applicant's capability and experience
- Impact
  - Number of citizens assisted/lives improved
  - Number of total affordable housing units being added community's inventory
  - Number of total affordable housing units being retained/maintained in the community

- Catalyzing the social and economic growth of vulnerable and marginalized populations
- Resulting in transformation in lives and communities
- Improved/increased access to housing and housing services
- Providing access to resources to assist with wealth building and retention
- Reducing, eliminating barriers to producing/preserving/ or accessing affordable housing
- Longevity of impact
  - Period of affordability
  - Sustainability
- Project/program/activity timeline
- Community involvement and approval
- Income level of beneficiaries to be assisted,
- Leverage ratio of the project
- Number beneficiaries (persons/households) being served
- CAHF available balance of funds
- Other criteria deemed necessary to ensure prudent and impactful use of public resources

## Target Beneficiaries

1. Applicants seeking funds to develop or renovate rental housing must that the units are affordable to households with annual incomes at, or below, 80% of the area median income (AMI), as defined by HUD, adjusted for family size.
2. Projects or programs assisting families in accessing and or retaining housing (rental assistance, homeowner rehab programs, i.e.) must be designed to serve households with incomes at or below 80% AMI.
3. Newly-constructed or renovated units developed for homeownership must be sold at prices that are affordable to purchasers with incomes at, or below, 120% of the area median income.
4. Programs assisting households in becoming homeowners, such as down payment assistance and housing counseling programs must be available to serve households with incomes at or below 120% AMI.
5. Funding requests for research, studies, reports, plans or other innovative tools addressing affordable housing must be for:
  - The benefit of households with incomes below 120% AMI, or
  - Improving communities predominately populated by households with incomes below 120% AMI, or
  - Improving access to affordable housing for households with incomes below 120% AMI.

## Long-term Affordability Requirements for Housing Projects

Based on the amount of funding provided, PER UNIT, assisted projects must comply with affordability and habitability requirements, at minimum, for the following terms:

Funding Award (Per Unit)	Years of Affordability
< \$25,000	7 Years
\$25,000 - \$40,000	10 Years
Over \$40,000	20 Years

## Application Process

Because the required details and support information varies greatly with the type of project, program or activity being proposed, three different applications are available to accommodate these differences. Applications and accompanying guidelines are available for the following types of proposals:

1. **CAHF Application for Development**- For applicants proposing new construction and rehab of rental and housing for homebuyers
2. **CAHF Application for Programs** - For applicants providing resources to assist vulnerable households in accessing and or retaining housing, including rent and utility assistance, homeowner rehab, housing assistance for homeless, special needs populations, etc.
3. **CAHF Application for Planning & Discovery** – For pre and post development tools to achieve desired outcomes in support of affordable housing, such as feasibility studies, housing plans, and other initiatives identifying resources relative to producing and preserving affordable housing, eliminating barriers to producing/preserving/ or accessing affordable housing, and possible policy changes to address wealth building and retention.

Applications may be submitted at any time. The applications and guidelines can be found at: <https://chattanooga.gov/economic-development/home-application>. HCI staff will consult with applicants prior to submission to provide guidance on the application. The typical process is as follows:

1. Potential applicant completes an **Intent to Apply** form and schedules a meeting with the HCI staff by calling Sandra Gober at: (423)643-7332. The form is available on the website noted above. The completed form is submitted to HCI prior to the meeting.
2. The potential applicant meets with HCI to discuss the proposed project. The purpose of this meeting is to obtain and provide preliminary information and guidance to assist the potential applicant in determining if it is feasible to proceed with the application process. Depending on the type, location, and size of the proposed project, the applicant may be instructed to inform the community and the councilperson representative to gauge community and support from the councilperson representative before submitting the application.
3. The applicant completes the application and submits it, along with the application fee to City of Chattanooga.
4. Applications are reviewed by the HCI staff. **Completed** applications are reviewed within 30 business days of being received. The proposed project will be reviewed based on criteria applicable to the proposal, including benefit to the community, project delivery, income levels served, number of affordable and total housing units provided, need for subsidy, length of affordability term, and other pertinent factors to ensure that the request is for the benefit of the community. Each project will be reviewed on its own merits but must meet all the minimum project requirements outlined above.
5. If the review deems the project to be feasible HCI assists the applicant, to the greatest extent possible, in the process of getting the proposal presented to the HEB for approval.
6. The steps for approval, although they can vary for many reasons, are as follows:
  - a. The Mayor and/or the City Council's ED Committee Chairman are briefed on the project.
  - b. Final approval comes from the HEB. The HEB meets on the 3rd Monday of each month.

7. If the project is approved by the HEB, the HCI Office prepares a contract for signatures.
8. To ensure applicants adhere to the required period of affordability for housing development, the City will record restrictive covenants on properties involved in the project.
9. Applicants must complete and submit the following items:
  - a. Application:
    - A separate application must be submitted for **EACH** proposed project/program/activity
  - b. Application Fee
    - An application fee is due along with **EACH** application submitted. The fee is based on the total amount of funds being requested, as follows:

< \$100,000	\$100.00
\$100,001 - \$300,000	\$500.00
\$300,001 - \$400,000	\$1,000.00
> \$400,000	\$1,500.00

## Submittal Process

Applicants must provide the City with 1 printed copy and an electronic version of each project application which can be emailed to: [HCI@Chattanooga.gov](mailto:HCI@Chattanooga.gov). The hard copy of the application, along with the application fee, made payable to the City of Chattanooga, should be mailed or hand delivered to the following address:

City of Chattanooga  
 Department of Economic Development  
**Attn: Sandra Gober**  
 101 E. 11th Street, Suite 200  
 Chattanooga, TN 37402

## Completing Application

Applicants should review the overall guidelines and the guidelines relative to the type of project/program/activity for which funding is being sought. Based on proposed project, applicants may be able to skip certain sections of the application. If particular questions are not applicable please indicate with N/A.

## Review Process

Applications are vetted by the HCI staff for completeness, overall feasibility, and alignment with the City's housing goals and objectives and are presented to the Health, Educational and Housing Facilities Board (HEB) for consideration. The HEB is scheduled to meet monthly on the third Monday of each month.

The initial review of the application and the supporting documents will occur within 30 business days of receipt. The timeline from receipt of application to funding approval is determined by the completeness of the application, when it is received, and the speed by which any discrepancies identified by the project team during the review are addressed by the applicant. **INCOMPLETE APPLICATIONS WILL NOT BE CONSIDERED FOR FUNDING.**

Award of any funds will be based on an evaluation of the merits of the proposal and its furtherance of the City's goal of providing access to affordable housing. The following are considered when evaluating requests for funds:

- Alignment with the City's affordable housing goals and objectives
- Public purpose
- Demonstrated community need for proposed project/program/activity
- Demonstrated need for level of funding being requested
- Financial feasibility, including timeline for completing the project
- Applicant's capability and experience
- Impact
  - Number of citizens assisted/lives improved
  - Number of total affordable housing units being added community's inventory
  - Number of total affordable housing units being retained/maintained in the community
  - Catalyzing the social and economic growth of vulnerable and marginalized populations
  - Resulting in transformation in lives and communities
  - Improved/increased access to housing and housing services
  - Providing access to resources to assist with wealth building and retention
  - Reducing, eliminating barriers to producing/preserving/ or accessing affordable housing
- Longevity of impact
  - Period of affordability
  - Sustainability
- Project/program/activity timeline
- Community involvement and approval
- Income level of beneficiaries to be assisted,
- Leverage ratio of the project
- Number beneficiaries (persons/households) being served
- CAHF available balance of funds
- Other criteria deemed necessary to ensure prudent use of public resources

## Underwriting Policy for Housing Development

In considering approving a request under the CAHF, the City must evaluate the proposal to determine that the award is necessary to provide quality affordable housing that is financially viable for the community. This evaluation will include, at a minimum:

- An assessment of the current market demand in the neighborhood in which the project will be located,
- The experience of the applicant/developer in carrying out similar projects/programs,
- The financial capacity of the applicant/developer,
- The timeline of the proposal from start to finish
- An examination of the sources and uses of funds for the project and a determination that the costs are reasonable; and
- Firm, written financial commitments for the project.

The City may rely upon the guidelines developed and/or evaluations conducted by other agencies, such as when Low Income Housing Tax Credits (LIHTC) or other HUD program funding, are used. Extensive details are outlined for the CAHF Application for Development and accompanying guidelines.

## Evaluation and Scoring

The following scoring criteria/points are used in evaluating each proposal. Construction/renovation projects must have a minimum score of 80 to be considered for a funding recommendation. Housing assistance programs and housing plans/reports must have a minimum score of 55.

<b>Criteria</b>	<b>Max. Points</b>
Project Information: Sufficient information to accurately evaluate the proposal	40
Experience & Capacity: Organizational/developer experience and capacity to take on and complete project. (including track record with undertaking, managing, and completing similar projects)	20
Project Feasibility - Costs, Financing, Impact, & Sustainability	40
Readiness (time until project completion)	10
Bonus Points: 10 points for projects proposing to create housing to serve special needs populations (physical/mental illness, veterans, homeless, etc).	10
Total Possible Points	120

## FAQs

### Is the Chattanooga Affordable Housing Fund a grant or a loan?

Based on proposed project/program/activity, funding is made available in the form of grants, direct loans, forgivable loans, loan guarantees, other forms of credit enhancements, and payments on behalf of clients in housing assistance programs. Funds are typically dispersed on a reimbursement basis.

### Are the funds recaptured?

In some cases. However, full compliance results in the loans being forgiven. The funds are subject to recapture and repayment at the time of sale if the property is sold to a new owner unable or unwilling to assume the low-to-moderate income restrictions and other conditions of the loan agreement during the affordability period. The funds are subject to recapture and repayment to the Fund if the owner is found to be non-compliant with the terms of the Fund agreement.

### Are there minimum and maximum grant amounts?

There are no minimum or maximum grant amounts.

### How long is the loan term?

The loan term varies from 7-20 years, depending on the amount of the funding amount, per unit.

< \$25,000	7 Years
\$25,000 - \$40,000	10 Years
Over \$40,000	20 Years

### What types of activities are eligible uses?

Acknowledging changing lifestyles are requiring changes in housing types, the Fund is available to the following types of projects:

- Newly-constructed single-family homes for rent or for sale
- Renovated single-family homes for rent or for sale
- Newly-constructed small and large-scale apartment developments for rent, i.e. LIHTC projects
- Renovated small and large-scale apartment developments for rent, projects
- Newly-constructed or renovated mixed-use developments
- Acquisition/renovation/construction of duplexes for owner-occupied rental
- Pre and post development tools to achieve desired outcomes in support of affordable housing, such as feasibility studies, housing plans, and other initiatives identifying resources relative to producing and preserving affordable housing
- Programs that assist vulnerable citizens in accessing and or retaining housing i.e. rent, mortgage, and utility assistance for low-moderated income households impacted by COVID or other emergencies identified by the City

### Who will manage the Fund?

Overall management of the Fund falls under the Department of Economic Development (ED). ED manages the application submission process and provides technical support to the Health, Educational and Housing Board (HEB)

in reviewing requests and making recommendations for approval.





CHATTANOOGA AFFORDABLE HOUSING FUND (CAHF)  
GUIDELINES  
For  
PRODUCTION AND PRESERVATION  
OF  
AFFORDABLE RENTAL & HOMEBUYER HOUSING

CITY OF CHATTANOOGA  
DEPARTMENT OF ECONOMIC DEVELOPMENT • HOUSING AND COMMUNITY INVESTMENT (HCI)  
101 East 11TH STREET, CITY HALL, SUITE 200 • CHATTANOOGA, TN 37402 •  
(423)643 – 7300

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# CHATTANOOGA AFFORDABLE HOUSING FUND (CAHF) GUIDELINES

## For PRODUCTION AND PRESERVATION OF AFFORDABLE RENTAL & HOMEBUYER HOUSING

The City of Chattanooga is seeking partners to assist in increasing the supply of decent and affordable housing for City residents through production and preservation. CAFH is a resource the City is making available to eligible entities, as leverage, partnering with the City to address affordable priorities for households earning up to 120% of area median income (AMI).

The City has established priorities for housing that include construction or rehabilitation of existing single and multifamily rental housing properties, and homeownership housing development. Housing must be for the general low/moderate income population, including special needs populations (homeless, seniors, veterans, disabled).

Applicants seeking funds to develop or renovate rental housing must ensure that the units are affordable to households with annual incomes at, or below, 80% of the area median income (AMI), as defined by HUD, adjusted for family size. Newly-constructed or renovated units developed for homeownership must be sold at prices that are affordable to purchasers with incomes at, or below, 120% of the area median income.

All activities funded must be within the Chattanooga City limits.

The goal in providing assistance is to provide enough funding to each approved project to increase the availability of affordable units, or substantially improve the quality of existing units, without over-subsidizing (enriching) the development or increasing the risk associated with over-leveraging the development. The CAFH funds will only be provided as gap financing that is not otherwise available from other sources.

Applicants must demonstrate that they have or will structure projects to maximize other available financing sources, thereby limiting City funding to the lowest amount necessary to assure project feasibility and demonstrate that rent proceeds or other funding sources will allow for adequate reserves to meet capital needs for the length of the affordability period for the project.

The request should represent the gap between:

1. The total project costs, and
2. The Applicant's equity plus commercially available debt, other grants, tax credits, and capital contributions.

Applications are vetted by the Department of Economic Development (ED)'s Division of Housing and Community Investment (HCI) and presented to the Health, Educational and Housing Facilities Board (HEB) for consideration. HCI will underwrite all requests to ensure that each project is financially sustainable over its affordability period. The underwriting review evaluates, among other things, cost reasonableness, market demand, developer capacity, and the commitment of other funding.

## Eligible Activities/Projects

Eligible activities include rehab and new construction of units. All funded activities will be within the boundaries of Chattanooga City Limits. The City generally requires CAHF funds be used for the hard costs of rehabilitation/construction. Applicants who wish to use CAHF funds for any other purpose will negotiate this during the underwriting process. Allowable uses will be identified in contracts and project agreements. Eligible costs include **gap** financing for:

1. Rehabilitation or reconstruction of existing rental housing –multi-family units.
2. Development of multi-unit rental housing
3. New construction for special needs populations for which open market financing is unavailable or infeasible without public or private foundation support. This category includes senior citizens, persons with disabilities, homeless (both transitional and permanent housing) homeless and chronically homeless veterans, and single room occupancy (SRO's) facilities serving those with special needs.
4. Acquisition of properties (improved or vacant) for the development of affordable housing units
5. Project-related soft costs may be awarded on a limited basis and will be at the recommendation of staff and based on need as determined during the underwriting review.
6. LIHTC projects
7. New construction or renovation of vacant units of housing for sale for homeownership. Developers must demonstrate a demand for the proposed unit(s). Speculative building is not eligible.

## Development of Rental Units

CAHF funds may be requested as gap financing for rental development (renovations or new construction) for projects. Gap financing can be provided to cover eligible renovation/construction costs. To ensure the property remains affordable to qualified tenants for varying lengths of time depending upon the amount of CAHF funds provided, the City is required to ensure the property is secured by a lien/restrictive covenants coinciding with the CAHF period of affordability.

All assisted units must be leased to households earning sixty percent (60%) or less of AMI. Through to the end of the affordability, unit rents cannot exceed established HUD Fair Market rents.

## Development for Homeownership

Only entities that can demonstrate (1) the need for affordable housing for homeownership is present within the proposed development area and (2) that the home(s) can be sold within nine months of

development, may submit applications under this RFP. Speculative building is prohibited. Funding may be requested to assist with costs that are in excess of construction, permanent, and/or other subsidy financing and equity sources. The amount of funds invested in a homeownership housing project will always reflect the minimum amount of public subsidy necessary to achieve the maximum public benefit.

Homeownership units must be sold to households earning incomes at or below 120% of Area Median Income (AMI). Applicants must have established underwriting guidelines to determine the appropriate amount of assistance necessary to assist the low-income buyer; assessment of a buyer's ability to purchase and remain in the home (e.g., housing and consumer debt ratios, anticipated income, and available assets); and anti-predatory lending and subordination policies. Homebuyers must receive housing counseling before receiving assistance (down payment assistance) or purchasing a CAHF-assisted unit.

Assistance will be provided as a development gap subsidy which is determined based upon the project development budget. The subsidy must be recorded as a lien against the property. To ensure the property remains affordable to qualified purchasers for varying lengths of time depending upon the amount of CAHF funds provided, Applicant is required to ensure the property is secured by a lien/restrictive covenants coinciding with the CAHF period of affordability.

## Ineligible Applicants

Ineligible applicants include:

1. Organizations that have an incomplete, stalled CAHF project, prior to submitting their proposal.
2. Organizations that cannot demonstrate adequate financial and organizational capacity to take on the proposed project.
3. Non-profits that have been in existence for less than one year.
4. Organizations that are not in good standing with other City of Chattanooga grants.
5. Organizations that do not own, with clean title, or have a binding sales contract for proposed property.
6. Organizations that are listed on the federal, state, county, or city debarment list.

## Eligible Applicants

HCI will accept proposals from public agencies, for-profit, and nonprofit developers with documented capacity to construct/rehab and operate housing that benefit low-income families. Applicants must be either the current owner of the property or, at the time of application, have a binding contract to purchase the property.

Applicants must demonstrate financial and organizational capacity to undertake and complete projects and adhere to long-term rental management and compliance and/or affordable homeownership programs. Capacity assessment varies by project size, scope, complexity and type of development entity.

Applicants and applicants' team members must be in good standing with HCI on all previous grants. Any applicant, developer, or general contractor with outstanding management or compliance issues with the City/HCI, other public agencies, or is on the federal, state, county or city debarment list may not be allowed to participate.

Applicants and applicants' team members must disclose any pending lawsuits, judgements and/or other orders of satisfaction which could potentially impact the proposed project, along with unpaid taxes, liens, defaults on debt, and property code violations.

## Forms of Assistance & Terms

Assistance may be provided in the form of performance based (0% interest) grants, repayable only upon sale of the asset or another capital event, or fully repayable interest bearing loans. In return for the City's assistance, participants agree to certain long term (7 - 20 years) rent and occupancy restrictions. Restrictive Covenants will be used to ensure the long-term affordability and other program requirements.

**Interest Rate:** If gap financing is provided in the form of a loan, interest rates will vary based on the level and type of investment made by the City and the program funding. Determination will occur during the underwriting review.

**Grant Position:** In most cases, the City grant position will be junior to senior debt; however the City reserves the right to have a position senior to other sources of financing. Restrictive covenants will be recorded in higher priority than any first lien to ensure the long-term affordability and other requirements.

CAHF financing is on a cost reimbursement basis. Disbursements during construction/rehab are limited to the reimbursement of the actual eligible costs that have been incurred. Ten percent (10%) will be retained at the end of the project, to be released when a Certificate of Occupancy is received.

## Selection Criteria

All projects will undergo underwriting and feasibility analysis. Underwriting involves the analysis of project assumptions and risks to determine if the public investment is reasonable and the project can be expected to meet all applicable program requirements for funding and during the period of affordability. HCI will review project concept and design for suitability for the targeted populations(s) and financially sustainable over the affordability period.

The underwriting and feasibility analysis also evaluates cost reasonableness, market demand, developer capacity, project timelines, the commitment of other funding, the adequacy of the funding to complete the construction or rehabilitation and, for rental projects, to sustain operations over the required period. Exceptional proposals will provide all information required for reviewers to accurately assess and score these components of the proposed project.



## Project/Development Information

Exceptional proposals will present an overall narrative and sufficient details on development for adequate feasibility analysis - location, market demand, ownership, project cost, sources and uses of funding, proposed units, demonstrated need for CAHF gap financing, financial and personnel capacity of applicant, project timelines, proposed target population and long-term sustainability plan.

Proposals must include:

1. A defined scope of work, including preliminary design plans and site plans, including details on:
  - a. plans for energy efficiency / sustainable practices
  - b. complying with accessibility requirements and other applicable building codes
  - c. use of cost-effective green building measures (if applicable)
  - d. innovation or benefit through the project design, compatibility with surrounding uses, or services for targeted population(s)
  - e. units and rent levels that justify the requested resources
2. Detailed cost estimates from qualified source(s) ensuring that all project costs are reasonable
3. Detailed budget - sources and uses of funds
4. Operating pro-forma covering period of affordability
5. Development timelines (realistic)
6. Site control documentation
7. Documentation/details on zoning
8. Documentation demonstrating that all property taxes are current
9. Details on proposed targeted population to be served, (MOU)/ alliances with providers of social services
10. All applicable Third-Party Reports, including but not limited to:
  - a. Post construction/rehabilitation Real Estate Appraisal
  - b. Phase I Environmental report (Phase II if needed)
  - c. Property Condition Report (rehab only)
  - d. Market Study
  - e. Land Survey

## Project Location

Acceptable proposals must demonstrate that the designated project site is suitable for affordable housing and the targeted population(s). The applicant must have site control or an option to purchase at the time of application. Acceptable sites are free of adverse environmental conditions, have appropriate zoning for the type of development proposed and must be in such condition that acquisition is possible within a reasonable date of application. If a site has an adverse environmental condition, it must be possible to mitigate the condition through reasonable measures. Acceptable proposals must demonstrate that the development will not create undue concentrations of poverty. Exceptional proposals are near schools, parks, commercial areas, public transportation, services, and jobs. Proposal information will provide details on:

1. Accessibility to local transit.
2. Proximity to grocery stores, pharmacies, and other amenities

3. Proximity to general medical services.
4. Proximity to employment opportunities
5. Public/private revitalization efforts in the area
6. Whether project is located outside of the 100-year flood plain

### *Neighborhood Market Assessment*

Before committing funds to a project, the City must assess the current market demand in the neighborhood in which the project will be located, addressing two key issues: pricing and absorption.

This requires a review of neighborhood market data before approving a project and entering into legally binding agreements. The market assessment will include an analysis of all available comparable housing in the target area of development, an explanation of why the current available stock is not suitable and thus justification/need for the proposed development.

In addition, a description of the target neighborhood and the available amenities (schools, transportation, recreation, medical, retail, etc.) will be assessed. The applicant is encouraged to provide any other information that they feel helps in proving a legitimate need for the development. The market analysis will:

1. Evaluate general demographic, economic, and housing conditions in the community.
2. Delineate the market area by identifying the geographic area from which the majority of a project's tenants or buyers are likely to come. This may or may not coincide with census tract or neighborhood boundaries.
3. Quantify the pool of eligible tenants or buyers in terms of household size, age, income, tenure (homeowner or renter), and other relevant factors. Not all residents of the market area are potential or likely tenants or buyers of any given project.
4. Analyze the competition by evaluating other housing opportunities with an emphasis on other affordable rental developments or sales opportunities in the market area, including those financed through either the CAHF program or other federal programs.
5. Assess the market for the planned units and determine if there is sufficient demand to sell the CAHF-assisted housing within nine months of construction completion or to rent the CAHF-assisted housing within 18 months of project completion.
6. Evaluate the effective demand and the capture rate, usually expressed as a percentage (the project's units divided by the applicant pool). The capture rate is the percentage of likely eligible and interested households living nearby who will need to rent units in the proposed project in order to fully occupy it. The lower this rate, the more likely a project is to succeed.
7. Estimate the absorption period. Plan how many units can be successfully leased or sold each month and how long it will take to achieve initial occupancy/sale of the HOME units and stabilized occupancy for the project as a whole.

For small projects applicants may be able to provide this information without the need of procuring an outside vendor to conduct the assessment. Large developments will require an independent market study.

In some cases, other funders may require independent market studies. The City may accept the independent market study prepared for another funder if the study meets the requirements of the City. However, the City must review any market studies or assessments and make its own conclusions about the likelihood of project success. The City may not simply accept the conclusion of another source as its sole evidence of market demand.

If project is a mixed-income project, the Developer must use its best efforts to distribute units reserved for Low Income Families, Very Low Income Families, and Extremely Low Income Families among unit sizes in proportion to the distribution of unit sizes in the property and to avoid concentration of Low Income Families, Very Low Income Families, and Extremely Low Income Families in any area or areas of the property.

### *Cost Estimates*

HCI must review and approve written cost estimates for construction and determine that costs are reasonable. Construction contract(s) and construction documents must describe the work to be undertaken in adequate detail so that cost reasonableness can be determined and inspections can be conducted. HCI, or its representative, will conduct progress and final inspections of construction to ensure that work is done in accordance with applicable codes, the construction contract, and construction documents. Project work write-ups must be in sufficient detail to determine the required rehabilitation work including materials.

Major systems which include structural support, roofing, cladding and weatherproofing (windows, doors, siding, and gutters); plumbing, electrical; and heating, ventilation and air conditioning must be evaluated for estimated remaining useful life upon project completion. Replacement reserves must be established and monthly payments made to the reserve that are adequate to repair or replace systems as needed during the period of affordability.

For all rehabilitation or construction projects, a detailed breakdown of anticipated costs based on estimates (write-ups) and construction budget, prepared by a qualified, licensed or certified third party building inspector, general contractor, architect, structural engineer, or other qualified individuals must be provided. This report must show that the planned improvements will bring the property into compliance with all building codes as well as the Department's Minimum Property Standards for Rehabilitation. The report must be dated no more than six months prior to application. The Department may utilize its own vendor or employees to verify information presented in order to establish cost-reasonableness.

### *Organization/Developer Capacity & Experience*

Two elements of underwriting analysis related to the applicant/developer include: – (1) the experience and the capacity of the developer (including the entity staff and project team) to implement and complete the project and (2) the fiscal soundness of the developer to meet its financial obligations and risks of the project. Acceptable experience and financial capacity will be evaluated based on the size, scope, and complexity of the project. Viable proposals will come from development teams with the technical and managerial experience, fiscal capacity, knowledge and skills to successfully undertake and complete the proposed development.

## *Longevity*

Any agency that applies has a requirement to have been in existence for a minimum of three years.

## *Capacity*

Capacity assessment varies by project size, scope, complexity and type of development entity. Developer capacity and fiscal soundness will be evaluated on information demonstrating, but not restricted to:

1. Applicant's prior experience with development of properties similar to proposed project, including such details as acquisition of real property, rehabilitation, marketing, leasing and maintaining affordable/subsidized rental housing.
2. Qualifications and experience of proposed staff and strength of the development team. The City reserves the right to refuse funding a project if prior experience with the City was unfavorable.
3. Sufficiency of financial resources. The applicant's overall financial condition and its ability to fund cost overruns or other costs not included in the CAHF grant amount (liquidity/net worth).
4. Demonstration of entities ongoing financial viability
5. Ability to manage additional projects if other developments are in progress.
6. History of partnership with support service providers if the proposal is serving specific target populations. The organization's experience serving that population must be clearly stated.

## *Operational Capacity*

In assessing the experience of the applicant/developer, to determine whether the entity has the technical and managerial experience, knowledge, and skills to successfully undertake and complete the development and adhere to long-term requirements, the City will consider both prior experience and current capacity of the entity. In considering this, the City will take into account:

1. The corporate or organizational experience of the development entity;
2. The experience of the staff assigned to the project and overall quality of the development team;
3. The prior experience of the individuals compared to their roles in the proposed project;
4. The applicant's/developer's track record in the development and management of affordable/subsidized housing;
5. Entity's ability to efficiently maintain the additional property/asset; and
6. Entity's ability to adequately provide services to proposed target population(s) (if applicable)

For rental projects, a developer/owner needs specific skills and capacity including property management, asset management, service provision (as applicable), and special financing skills.

For homebuyer projects, the development team must demonstrate its capacity to market and sell the units. This may involve the addition of a realty professional to the team, or evidence that in-house

staff have the capability to oversee the advertising, unit showing, intake, and processing of potential buyers.

#### *Financial Capacity*

When determining whether the developer has the financial capacity to undertake the project, the City will examine financial statements and audits to determine the developer's net worth, portfolio risk, pre-development funding, and liquidity. Applicants/developers with limited financial resources may only be considered for projects where cash needs will not exceed the developer's net or liquid assets. The City will review information submitted to determine whether the applicant/developer has:

1. Adequate financial management systems and practices; and
2. Sufficient financial resources to carry the project to completion or through initial lease-up, as the case may be.

#### *Project Portfolio*

Applicants will be assessed based on their portfolio of relevant projects. Things that will be considered include whether the applicant has other similar projects in their portfolio, all properties are up to code and taxes paid, past foreclosures, and vacancy rates.

#### *Past Performance*

The City takes past performance on HUD-funded projects into consideration when evaluating applications. In doing so, consideration is given to whether an applicant has previous experience with HUD funds, compliance issues on previous projects, and reporting history.

### Project Feasibility, Costs & Financing (Sources & Uses of Funds)

This is one of the most critical sections of the RFP. Applicants/developers should review carefully and provide required information/documentation, as requested. Before committing CAHF funds, the City will evaluate the proposed project to ensure that funds are invested such that the project is likely to be undertaken, completed, and succeed over time. To verify this, the City will assess all of the assistance that has been, or is expected to be, made available to the project.

The City will take into account all the factors relevant to project feasibility, which may include, but are not limited to: total development costs and available funds; impacts of HOME restrictions such as eligible costs, maximum subsidy limits, cost allocation, and rent/utility allowance limitations; rates of return to owners, developers, sponsors, or investors; resale or recapture limitations for homebuyer projects; and the long-term needs of rental projects and tenants.

The two types of documents the City must receive and review in order to assess and underwrite a project include:

1. A sources and uses statement (development budget); and
2. An operating pro-forma. For homebuyer development projects, the pro-forma will take the form of a sales and revenue plan.

### *Sources and Uses Statement*

Applicants/developers must complete and submit a project budget with support documentation to verify the sources and uses indicated. The project budget must show:

1. All Sources (both private and public) of funds with dollar amounts) and timing of availability for each source, and
2. All Uses of funds (for example acquisition costs, site preparation and infrastructure costs, rehabilitation/or construction costs, financing costs, professional fees, developer fees and other soft costs) associated with the project.

### *Sources of Funding*

Prior to committing funds to a project the City must ensure that all financing sources are in place. Consequently, the following is required to be submitted for all project sources:

1. Firm commitment letters with all terms and conditions for all mortgages, grants, bridge (interim) loans and investment tax credits (historical, low-income, if applicable);
2. If the applicant is a partnership or limited liability corporation, a copy of the partnership agreement or operating agreement, which will indicate the cash contributions by the partner(s) or member(s); and
3. If equity is committed by the developer or owner(s), evidence of available equity funds.
4. Documentation of donations – land, goods, and services

### *Uses of Funding*

Uses are the project costs that are budgeted to be paid during the development phase. The City must review all costs of the project because the determination of the amount of CAHF assistance needed is based on the gap between uses and other sources. Even costs not being paid with CAHF funds must be necessary and reasonable, as the inclusion of excessive costs inflates the apparent need for public subsidy in a project.

In the review of the sources and uses statement, the City will assess the detailed breakdown of costs, including all hard and soft costs of the project, and review documentation or explanations of the basis of the calculation. Applicants must provide project budgets in sufficient itemized detail to evaluate not only the sufficiency of the budget but also to evaluate whether project costs are reasonable both on a line item basis and in the aggregate.

Note that for projects with tax credits to be sold, the proceeds from the sale of these credits must be identified as a source of funding.

Applicants must provide documentation for all line item costs in the budget, including:

1. Acquisition documentation, such as purchase agreement, option or closing statement and appraisal or other documentation of value;
2. Construction cost estimate, construction contract or preliminary bid(s);
3. Contracts, quotes or other agreements substantiating key professional costs and the basis for estimating other soft costs and working capital items, including capitalized reserves;

4. Agreements governing the various reserves which are capitalized at closing (to verify that the reserves cannot be withdrawn later as fees or distributions);
5. A third-party appraisal (to substantiate the value of the land and the value of the property after rehabilitation or the structure being built);
6. If LIHTC are utilized, documentation on the syndication costs (legal, accounting, tax opinion, etc.) from the organization/individual who will syndicate and sell the offering to ensure that the project can support the fees necessary to syndicate/fund the project.
7. Note that for homebuyer projects, some of the costs – such as realtor fees, closing costs and some of the developer fees – will not be incurred until the closing and might be paid out of closing proceeds. Also, since in the development phase loans such as construction loans are repaid at time of sale from sales proceeds, the estimation of the period to sell and close on the units is an essential part of the analysis. Again, this is affected by the ready presence of buyers under agreement or in the counseling/screening pipeline.

#### *Operating Pro Forma*

Applicants proposing rental projects must furnish an operating pro forma (project income and expense statement), projected for the CAHF period of affordability, at a minimum. The **Excel-based Development Proposal Template**, which is part of the application, must be completed and submitted with other application documents.

The City will evaluate the reasonableness of the financial assumptions of the project to establish minimum total per unit operating costs. The sufficiency of both specific line items and total operating costs will be evaluated. The long-term operating projections over the period of affordability should be based on reasonable assumptions and demonstrate that the project can cover expenses and debt service throughout the affordability period.

The pro forma will be scrutinized to ensure the cash flow projections are realistic in light of economic conditions. The cash flow projections should be neither unduly conservative nor overly optimistic. It is the City's role to balance the need for public subsidy to make the project viable while safeguarding the investment of CAHF funds in the project by ensuring that projected income and expenses are reasonable, and provide resources that are sufficient for the property's upkeep and planned capital repairs during the affordability period. Long-term operating projections should also be based on reasonable assumptions about how revenues and operating costs are expected to change over time, and demonstrate the project is expected to operate within normal operating parameters throughout the affordability period.

#### *Projected Income*

Operating revenues must be based on achievable rent levels, reasonable vacancy and collection loss, and conservative estimates of non-residential sources of incomes. In the Development Proposal Template, the City uses 2.25% for annual income increases 3.00% for expenses 5% as the vacancy rate, and \$500 for replacement reserve. If the developer uses other estimates supporting explanations must be provided.



1. In most projects, non-residential revenue from fees/late charges, commercial income, interest, laundry/vending, or other similar sources likely will be modest, therefore should be projected conservatively.
2. Vacancy projections should reflect local market conditions and account for both physical vacancy and collections loss.
3. The rate of projected growth for rental income, other revenues, expenses, and vacancy rates should be appropriate to the local market and regulatory limits.
4. Net Operating Income (gross revenue minus operating expenses) should be sufficient to cover debt service obligations and mandatory replacement reserve funding and generate reasonable but not excessive Cash Flow throughout the period of affordability. If deficits are projected, the HOME subsidy may be increased to reduce amortizing debt and the deficit reserves might be funded from other sources.

### *Projected Expenses*

All operating costs must be in sufficient detail to compare line items against properties that are similar in physical type and size, so that the City may determine whether the planned expenditures are sufficient and reasonable. The operating budget should include any general management expenses, maintenance and operating costs, any project paid utilities, taxes, insurance premiums, and adequate deposits to replacement reserves. In most cases, evaluation of total operating costs should be summarized in “per unit per year” amounts rather than as a percentage of projected revenue.

1. Most operating costs (e.g. water/sewer rates or lawn mowing) do not vary based on how much tenants are paying in rent.
2. Management and other fees to the owner should be reasonable for the local market.
3. The identity of interest (also referred to as related party) relationships with contracted property management, repair/rehabilitation contractors, or other project vendors must be disclosed.
4. Minimum replacement reserve deposits should be specified based on the characteristics of each project. Reserve needs may vary based on the type of physical product, the target population, and whether the building is newly constructed or rehabilitated.
5. Any debt service or other funding/reserve requirements related to ‘secondary’ financing in mixed financed deals, if applicable.
6. Cash flow will be evaluated both as a “debt coverage ratio” and as a percentage of operating costs and debt service. The City will use information provided in Worksheet “**D. Project Operations.**”

### *Sales Plan - Homebuyer Projects*

In lieu of an operating pro-forma, homebuyer developers must provide a sales plan, which will be evaluated as a component of the market assessment. This plan includes the developer’s anticipated cash flow and timing of when and how units will be sold. The City is only accepting applications from eligible entities that provide relative assurance that the units can be sold to eligible buyers within nine months of completion. Speculative building is prohibited.

The profit or return must be analyzed and determined to be reasonable. This analysis includes profit that is projected to flow to the developer as operating cash flow from rental projects, sales proceeds from homebuyer units and any other professional fees being paid to the developer or related entities. Developers and owners may financially benefit from CAHF-assisted projects in several ways:



1. **Developer Fees:** These are fees charged by the developer as a part of the project cost to compensate for the risk, time and effort to build and sell or lease the property. Developer fees are allowed under the CAHF program, but the City is only providing funding for hard construction costs. Nevertheless, the City must review these fees and determine that they are reasonable. In reviewing the effect of the development fee on the total project cost, the City may set limits on the developer fee that differ from other funding sources (e.g. LIHTC underwriting standards).

The City will review developer fee schedules or ranges based on the local market and take the following into consideration:

- a. The scope and complexity of the project being developed;
  - b. The size of the project;
  - c. The relative risk the developer is taking;
  - d. The costs a developer will incur from the fee as compared to those being charged as project costs;
  - e. The fees that are regularly and customarily allowed in similar programs and projects; and, Other fees the project is generating for the developer and its related entities
2. **Sales Revenues:** Developers of for-sale properties may keep some or all of the sales proceeds, as negotiated City.
  3. **Cash-Flow:** Assuming that the rental property is properly structured and financed, successfully attracts residents, and is effectively managed; the project likely will have net cash-flow after the payment of debt service. Cash-flow is distributed to the owner and/or investors as a return on their original investment.
  4. **Tax Benefits:** Rental owners and/or investors can also benefit from tax savings—a reduction in the income taxes they owe due to tax losses or tax credits.
  5. **Equity Appreciation:** Over time, the value of the rental project sponsor/owner's ownership share in the project will increase as debt financing is paid down (due to the portion of debt service that is applied to the loan principal), and depending on market conditions, the property appreciates in value.
  6. **Identity of Interest (IOI) Roles:** Some developers may also own construction companies and if this company is used for the CAHF project, the construction firm may earn reasonable profit and overhead as a component of the development budget. If the rental property owner also operates a property management company contracted to service the property, the developer may earn fees from those activities. These and other IOI contracts require additional review and they must be clearly disclosed, priced at arm's-length rates, and subject to cancellation if the IOI contractor does not provide acceptable service.

The City's standard for determining a limit for overall returns and cash flow distributions to ensure that owners do not receive excessive gains/profits from the project as a result of CAHF and other public subsidies will be based on the project.

### *Overall Evaluation*

The following will be used in conjunction the project ownership structure, property operations, the financial statements of the owner and guarantor (if applicable), to evaluate project feasibility:

1. Whether information is adequate to demonstrate that the development is feasible in terms of costs, sources and uses, and financial thresholds:
  - a. Debt coverage is equal to or above 1.20
  - b. All loans/debt plus City investment less than 95% of "as proposed" value
2. Construction cost per unit and total cost per unit relative to similar properties submitted under this RFP and in the marketplace.
3. CAHF request per unit relative to similar properties submitted under this RFP.
4. Sources of leverage - proof provided
5. Whether pro-forma income and expenses appear reasonable
6. Developer Rate of Return on Investment - reasonable rate of return based on comparable, current market rates

For thorough and adequate evaluations, applicant's proposal should sufficiently detail:

1. Project budget
2. All funding sources supported with letters of credit/commitment - Projects that can demonstrate/document commitments for all funding needs by award date will be prioritized
3. All sources of debt and anticipated debt with details on terms
4. Pro forma over the life of the project
5. Post construction/rehabilitation real estate appraisal
6. Level of expected profit/return to owner/developer for size, type, complexity of project (Other information/documentation may be requested by the City.)

### *Project Feasibility, Costs, and Financing*

1. Project budget
  - a. Budget shows sources for all funds and availability
  - b. Budget outlines uses for all funds
  - c. Budget is balanced
  - d. Documentation is included for all funds
2. Sources of funds
  - a. Are total funds adequate and timely in their availability to cover development costs at all phases
  - b. Are funding sources committed?
3. Uses of funds
  - a. Are costs necessary and reasonable?
  - b. Are costs allocated to CAHF eligible?
  - c. Are all costs documented?
  - d. Does the ongoing pro forma/sales plan show positive cash flows
  - e. Are projected expenses reasonable?

- f. Are minimum replacement reserves specified?

## Readiness to Proceed

A realistic/detailed project timeline must be included with the proposal. Evaluation of application, support information and timeline indicate that work can commence promptly upon receipt of award and issuance of Notice to Proceed and can reasonably be expected to be completed within the indicated timeframe. Applicants are expected to be prepared to begin construction/rehab **immediately** upon signing a contractual agreement with the City. At minimum, all other financial commitments will be in place, property will be properly zoned, property will be under control/ownership of the applicant, and environmental review will be completed prior to the City preparing an agreement for the funds. **Funding awarded to projects that do not adhere to the construction start date will be reallocated to projects/activities that are ready to start.**

## Development Proposal Template

The Development Proposal Template serves to provide summary information on the project, the development budget, the operating budget, and 20-year cash flow projection. This will be supplemented with information required in the Application. Information included in the Development Proposal Template (pro formas and other projections) will be examined for reasonableness and comparability to industry standards. The Development Proposal Template is an Excel workbook and includes the following tabs:

1. Instruction/Informational Guide
2. Cover Page/Funding Sources Summary Sheet
3. Property Information
4. Development Budget
5. Operating Budget (rental housing only)
6. 20-Year Cash Flow Projection (rental housing only)

All applicable information must be completed. HCI will review the underlying proposed debt and operating pro-forma of the property to determine the development's feasibility during the affordability period (i.e. demonstration of an acceptable debt service coverage ratio indicating income adequate to cover operating expenses and all applicable debt service). For those properties, such as those for the special needs population, which demonstrate that they cannot carry any debt service, income must exceed expenses. A commitment of the ownership entity to cover the losses will be required in the event of losses.

## Zoning

Proposed project/site must be properly zoned for the development/project at time funding is provided. The applicant is required to verify zoning prior to application submission. GIS zoning is not always current, please call 423-643-5902 to verify zoning.

## Property Standards and Code Compliance

The City requires adherence to standards that will sustain quality assisted housing for at least the affordability period. Upon completion, rehabilitated or newly constructed properties must comply with all State and local codes, ordinances, and zoning requirements and local residential building codes.

The applicant must identify and plan for major systems repairs. For rental projects with 26+ units, this must be done via a capital needs assessment. The scope of rehabilitation work and replacement reserves deposits must be sufficient to ensure the useful life of essential building components throughout the period of affordability. For homeownership housing, major systems must have a useful life of at least five years upon completion.

## Bidding Process and Captive General Contractor

Applicants must comply with all applicable federal, state and city procurement statutes, regulations and ordinances. The City of Chattanooga is charged with making efforts to determine that project costs are reasonable, and has two methods which we approve:

1. Bidding Process - The Borrower may choose to go through an open bidding process for selection of the General Contractor. This involves a) compiling plans, specs and a list of required qualifications, bonding requirements, etc. for the prospective contractor, b) conduct a pre-bid meeting with prospective bidders, c) advertise the bid process for two consecutive weeks, d) review, evaluate and tabulate bids, and e) obtain clearance from HCI to proceed with the selected contractor. A more complete explanation of the process will be provided by Compliance & Monitoring. Please note: General contractors must have a valid State of Tennessee Contractor's License.
2. Captive General Contractor - If the owner has the capacity to complete the construction work through a related entity as a captive general contractor, the City will pay for actual hard costs but will not pay for general contractor conditions, profit and overhead. If the construction costs are partially funded by a different federal or state program or other financing source for which general conditions, profit and overhead are eligible expenses, these costs may be paid out of the other program funds.

All subcontracts must be bid and tabulated. If the lowest responsive bidder is not selected, an explanation must be provided to substantiate the decision not to select the absolute lowest bidder. The City will not fund any construction cost savings.

Please note, regardless of the method of selection of a General Contractor, prior to award of contract, the recipient must secure approval from the HCI to ensure that the proposed contractor is cleared and

eligible to perform work on any project funded by the City. Developer must provide the City with all contracts between the developer and all contractors/subcontractors on a project.

## Completion Guarantee and Protection

### Bonds and Insurance

Applicants/grantees/subrecipients must demonstrate not only the ability to undertake and complete the proposed project and fund cost overruns, but to ensure that the City's interest (awarded funds) is adequately protected and the City is safeguarded against any claims resulting from damage to property and or injury to persons caused by applicant/grantee/subrecipient/vendor.

Liability and Property Damage Insurance is required to safeguard the City from any claims resulting from damage to property and/or injury to persons caused by the actions of applicants/grantees/subrecipients/vendors. The applicants/grantees/subrecipients/vendors, at his own cost, must secure insurance policies that name/endorse the City of Chattanooga as an "additional insured" party.

Each project will be evaluated (based on project size, complexity, CAHF award, applicant's assets, i.e.) to determine the need/type of bond(s) required to protect the City's interest. If required, bonds must be secured by the applicant at his/her own cost. Generally, bonds may be classified as follows:

**Performance Bond** - This bond is a surety instrument guaranteeing that the applicant and/or contractor will perform according to the terms of the contract, and is generally in an amount of 100% of the bid for construction/renovation. This bond affords protection from nonperformance and/or non-completion of major contracts, the efforts of which could result in considerable injury to the City. Should the contractor default, the bond is cashed and the City may then utilize the funds to complete the contract with another vendor. Performance bonds are submitted upon award of the contract.

**Payment Bond** - This bond guarantees payment of subcontractors and suppliers providing goods and services to the general contractor, who is under contract to the City or applicant. The payment bond relieves the City of financial liens against a project should the general contractor fail to pay his/her suppliers and subcontractors. These creditors will look to the bond for payment. Payment bonds are submitted upon award of the contract.

**Labor and Material Bond** - Same requirements as the Payment Bond. The bond guarantee may, at the discretion of the City, be in the form of a cashier's check, bank money order, bank draft of any national or State bank, certified check, or surety bond, payable to the City. The surety on any bid bond shall be a company recognized to execute bid bonds for contracts of the Federal Government.

**Letter of Credit** - Preferred in the case of certain construction projects or multiyear contracts. Must be irrevocable.

## Construction Draws and Inspections

During construction, HCI will perform periodic inspections and confirm work is progressing. Borrowers, Grantees/Owners (aka Developers) will certify that each draw request is for actual costs expended and must provide documentation to support such costs, including original invoices for materials and supplies, payroll for laborers and subcontractor and vendor invoices. The City will only pay for completed work and reimburse for eligible project costs. Reimbursement or draw request must include documentation that proves you have expended these funds, for example, canceled checks and credit card receipts.

Expenditures must be allowable and reasonable in accordance with federal, state, and local rules and regulations. The City will determine the reasonableness of each expenditure requested. Any change in scope during the construction process must be approved in advance. The City may request that the Developer make modifications to the disbursement request and is authorized to modify the disbursement procedures set forth herein and to establish such additional requirements for payment of funds to Development Owner as may be necessary or advisable for compliance with all program requirements.

The final request for disbursement must be submitted to the City with support documentation no later than thirty (30) days after the completion date of the Project in order to remain in compliance with the Contract and to be eligible for future funding. The City will not be obligated to pay for costs incurred or performances rendered after the termination date of a Contract.

**Retainage:** The City will retain up to twenty percent (20%) of the grant, depending on the size and cost of the project, until after the initial occupant has been approved and the Grantee/Owner has provided the City with all required tenant documentation.

## Material Changes

Any material changes to the project during underwriting or construction must be reported in writing to the Department. Failure to do so may result in a Default under the grant.

## Accessibility

Section 504 - All properties receiving City funds must be in compliance with Americans with Disabilities Act (ADA) and Section 504 of the Rehabilitation Act of 1973 (29 U.S.C Sec 794). HUD has established rules explaining Section 504 as it applies to housing. This pertains to new construction containing five or more units and for the rehabilitation of fifteen or more units. Section 504 requires that 5% of the units (or at least one unit) must be accessible to persons with physical disabilities. An additional 2% of units (at least one) must be accessible to persons with visual or hearing disabilities. These costs must be reflected in the Development Budget.

Covered multifamily dwellings, as defined at 24 CFR Sec 100.201 as well as common use facilities in developments with covered dwellings must meet the design and construction requirements of CFR Sec 100.205, which implement the Fair Housing Act (42 U.S.C. Sec 3601-3619). Additionally the project must comply with the Architectural Barriers Act of 1968 (42 U.S.C. Sec. 4151 et seq.), including use of Telecommunications Device for Deaf Persons (TDDS) or equally effective communication systems.

Notwithstanding the general requirement of 5% accessibility and 2% visually and hearing impaired, the City may waive this requirement for rehabilitation projects where the cost of rehabilitation is less than 75% of replacement costs. However, if this requirement is waived, the work done with any grant dollars must be made handicap accessible. Source:

<http://www.hud.gov/offices/fheo/disabilities/sect504faq.cfm>

## Program Occupancy Rules and Restrictions

The CAHF program restricts occupancy of assisted housing to households with incomes at or below 80% AMI for rental units and 120% for homebuyer households.

Rents charged in assisted units may not exceed Fair Market Rents established by HUD. HUD establishes Fair Market Rents by unit size and metropolitan area on an annual basis. Tenant incomes and rents (which will be reduced by the utility allowance) are available on the department’s website at:

<http://www.chattanooga.gov/communitydevelopment>

## Tenant Selection and Income Determination

### *Tenant Selection.*

Owners of rental housing assisted with CAHF funds must adopt written tenant selection policies and criteria that:

1. Are consistent with the purpose of providing housing for very low and low-income households which is defined as households with income at or below 80% of Area Median Income (AMI) as defined by HUD;
2. Income must be calculated in accordance with 24 CFR § 5.609 (commonly referred to as the “Part 5 (Section 8 Program) definition”). The passbook savings rate for the calculation of imputed asset income over \$5,000 shall be the same passbook savings rate utilized by the City.

The projected annual income of each household must be determined initially and annually thereafter during the period of affordability. Income must be documented according to the acceptable forms of the documentation listed in the table below:

<b><i>Income Determination Documentation</i></b>	
<b>Frequency</b>	<b>Acceptable Forms of Documentation</b>

Initially	2 months of source documents evidencing annual income (e.g., wage statement, interest statement, unemployment compensation statement) for the household.
Subsequent Determinations	2 months of source documents
	Written statement* (and certification that the information is complete and accurate) from the household of the amount of the household's annual income and family size. The certification must state that the household will provide source documents upon request.
	Written statement from the administrator of a government program under which the household receives benefits and which examines each year the annual income of the household.

3. Are reasonably related to program eligibility and the applicants' ability to perform the obligations of the lease;
4. Give reasonable consideration to the housing needs of families that would have a Federal preference: families that occupy substandard housing; families that are homeless or living in a shelter; families that are paying more than fifty percent (50%) of their annual income for rent; or families that are involuntarily displaced.
5. Provide for the selection of tenants from a written waiting list in the chronological order of their application (as is practical), and
6. Give prompt written notification to any rejected applicant of the reason/grounds for any rejection.

**A copy of these tenant selection policies must be submitted with the Project Agreement.**

To assist owners and managers of CAHF assisted rental units the City provides Sample:

1. Rental Applications
2. HUD approved Lease Agreements
3. Security Deposit Installment Agreements
4. Initial Occupancy Reports
  - a. Must be completed and provided to City within two weeks of lease agreement
  - b. Must be signed and dated by the owner/manager
5. Long Term Occupancy Report
  - a. Begins a year after initial occupancy or when the initial tenant moves out prior to the lease termination date
  - b. Must be completed annually for the duration of the Affordability Period (seven to twenty years)
6. Annual Reporting Requirements
  - a. The Owner/manager must submit annual reports that cover July 1 – June 30, the City's fiscal year, by the first day of August of each year through the end of the affordability period.
  - b. The annual report shall, at a minimum, include statistics relating to the number of households being assisted with HOME funds; household size, racial characteristics,



single head of household by gender, household income and a narrative of Project highlights.

### Period of Affordability

CAHF-assisted housing must remain affordable for some period of time beyond the initial occupancy. CAHF-assisted units must meet affordability requirements for not less than the applicable period specified in the following tables, beginning after project completion and occupancy. The affordability requirements apply without regard to the term of any loan or mortgage or the transfer of ownership. If CAHF-assisted housing fails to meet the affordability requirement for the specified period, the CAHF funds are to be repaid.

1. **RENTAL HOUSING ACTIVITIES** – Minimum period of affordability in years rehabilitation or acquisition of existing housing per unit amount of CAHF funds:

Under \$15,000	7 years
\$15,000 to \$40,000	10 years
Over \$40,000	15 years
New construction or acquisition of newly constructed rental housing	20 years

2. **HOMEOWNERSHIP HOUSING ACTIVITIES** - Minimum period of Homeownership assistance HOME amount per-unit affordability in years:

Under \$15,000	7 years
\$15,000 to \$40,000	10 years
Over \$40,000	15 years

### Affordability Covenants

Compliance with required periods of affordability will be imposed by restrictive covenants recorded on the property. **These covenants must be in a lien position superior to all other debt, including existing debt, and will require the existing lender to subordinate to the rent restrictions for rental projects.** The covenants will be recorded in higher priority than any first lien made by a commercial lender and will remain in force throughout the affordability period despite bankruptcy, sale, or other event transferring title. The covenants will be insured with title insurance provided by the developer.

### Fair Housing

Applicants, will conduct and administer HOME activities in conformity with Pub. L. 88-352, "Title VI of the Civil Rights Act of 1964", and with Pub. L. 90-284 "Fair Housing Act", and that it will affirmatively further fair housing. One suggested activity is to use the fair housing symbol and language in Subrecipient publications and/or advertisements.

### Conflict of Interest

Applicants must comply with the conflict of interest prohibitions set forth for the HOME program at 24 C.F.R. 92.356, 2 C.F.R. 200.318, and Grantee’s written standards of conduct covering conflicts of interest submitted to the Department, as required by 2.05 of this contract. In the event prohibited conflicts of interest arise, Grantee must inform the Department of such conflicts of interest. Exceptions to the prohibition may be granted, on a case-by-case basis, by the Department.

### Lead Safe Housing Rule

Applicants must agree to comply with the Lead Based Paint Poisoning Prevention Act’s prohibition against the use of lead-based paint in residential structures and to comply with regulations with regard to the notification of the hazards of lead-based paint poisoning and the elimination of lead- based paint hazards.

### 2 CFR Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards

Applicants agree to comply with 2 CFR 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, and agrees to adhere to the accounting principles and procedures required therein, utilize adequate internal controls, and maintain necessary source documentation for all costs incurred.

### Property Standards

Upon completion, the HOME-assisted project and units must be decent, safe, sanitary, and in good repair as described in 24 CFR § 5.703.

Subrecipient agrees that housing that is re-constructed, or rehabilitated with CAHF funds will meet all applicable local codes, rehabilitation standards, ordinances, and zoning ordinances applicable to the level of assistance at the time of project completion.

All new construction and gut rehab shall be designed to meet the National ENERGY STAR efficiency performance specifications. Also, when applicable, ENERGY STAR qualified appliances be used. All procedures shall comply with National Home Energy Rating System guidelines.

### Broadband

For a new construction housing project of a building with more than 4 rental units, the construction must include installation of broadband infrastructure, , except where the City determines, that:

1. The location of the new construction makes installation of broadband infrastructure infeasible; or
2. The cost of installing the infrastructure would result in a fundamental alteration in the nature of its program or activity or in an undue financial burden

### Model Energy Code

The Developer must ensure that all new construction of multifamily housing units must meet the current edition of the Model Energy Code (MEC), published and maintained by the International Code Council (ICC) as the “International Energy Conservation Code” (IECC) as of 1998, contains energy efficiency criteria for new residential and commercial buildings and additions to existing buildings. It

covers the building's ceilings, walls, and floors/ foundations; and the mechanical, lighting, and power systems. MEC information can be found on the following site:

<https://www.gwssi.com/learning/images/modelcode.pdf>

### Affirmative Marketing

Documentation of compliance with the Affirmative Marketing requirements in the Fair Housing Act is required. Applicants receiving funds must create an affirmative marketing plan in furtherance of the City's commitment to non-discrimination and equal opportunity in housing. Affirmative marketing steps consist of actions to provide information and otherwise attract eligible persons into the available housing without regard to race, color, national origin, gender, religion, familial status, disability, gender identity or sexual orientation. Records and documentation of actions taken to affirmatively market units must be maintained. The City will assess the results of these actions.

### Minority Business Enterprises/Small Business Enterprises

Entities receiving CAHF funds are strongly encouraged to use businesses that are registered with the State of Tennessee's as Minority and Women Owned Businesses. The City will provide you with a form to document MBE contractor, subcontractor and vendor names, addresses, and contract amounts.

### Debarment & Suspension Status

**Any parties not in good standing with the City or on local government or federal debarment lists will not be eligible to apply for funding.**

### Non-discrimination

Applicants must agree to comply which provide that no person shall on the ground of race, color, religion, sex, national origin, familial status, sexual orientation, gender identity, or marital status be excluded from participation in, be denied the benefits of, or be subjected to discrimination under, any program or activity funded in whole or in part with federal funds made available pursuant to the Act. The Subrecipient agrees to post in a conspicuous place available to employees and applicants for employment or service, notices setting forth the provisions of these non-discrimination clauses.

Applicants must agree, that they will not discriminate based on race, color, religion, sex, national origin, familial status, sexual orientation, gender identity, or marital status in the sale, leasing, rental or other disposition of residential property and related facilities, or in the use of occupancy thereof, if such property and related facilities are, among other things, provided in whole or in part with the aid of loans, advances, grants, or contributions agreed to be made by the City.

## Documentation of Agreement

This RFP is a framework upon which requests may be submitted. A Project Agreement and other documents will be signed by the developer/subrecipient after a resolution has been approved by City Council. Among other requirements outlined in this RFP by signing the application, applicants assert that they agree/understand:

1. Commitment of grant funds will be conditioned upon the occurrence of closing with any superior lien holders or any other sources of funds determined to be necessary for the long-term financial feasibility of the project and all due diligence determined by the Department to be prudent and necessary to meet and to secure the interests of the City of Chattanooga.
2. Certified Financial Statements - Prior to signing of the project agreement, the applicant must submit signed and certified financial statements and tax returns for the past 2 years.
3. Other liens – After closing, applicant will NOT be permitted to place subsequent liens against the subject property either in priority or subordinate to City’s lien. No additional debt is allowed without prior written approval by the Manager of HCI. The City’s lien (debt) position can be junior to an existing lender, but the restrictive covenants must be superior to all other debt and liens including existing debt, and will require the existing lender to subordinate to the rent restrictions. Refinancing of senior debt will be allowed only with approval of the City.
4. Insurance - Title Insurance (including restrictive covenants coverage), Property Insurance, Flood Insurance (if applicable), Builder’s Risk Insurance, and Worker’s Compensation will be required throughout the period of affordability. Other insurance requirements apply and are more fully described in the grant documents.
5. Applicants may not transfer ownership of the asset or refinance its debt throughout the affordability period except with the express consent of the City of Chattanooga.
6. CAHF Recapture/Resale Provisions state that if a housing project is sold, prior to the period of affordability being satisfied, either voluntarily or involuntarily, the City will recapture 100% of the CAFH funds invested in the project.