

# **Attachment 5**

**HOME RFP**

**HOME Resale and Recapture**



# APPLICATION FOR HOME FUNDS

## General Instructions

City of Chattanooga

101 E. 11th Street, Suite 200

Chattanooga, TN 37402

(423) 643-7300

(423) 643-7336 FAX

[www.chattanooga.gov](http://www.chattanooga.gov)

## Application Components

The Application for HOME funds consist of four parts, all of which must be submitted for an application to be reviewed:

1. **The Table of Contents/ Self-Certification Checklist** - Provides the checklist for information and attachments that are required to be included as part of the Application. Should be completed last but placed in front of all documents.
2. **Intent to Apply Questionnaire – Part 1**  
The Questionnaire provides a quick summary of project information and an opportunity for City and applicant to determine if proposed project is compatible with HOME funds and project requirements before completing a full application.
3. **Development Proposal Template – Part 2 (project development details and pro-forma)**  
The Developmental Proposal Template is an EXCEL workbook containing sheets to be completed by the applicant to provide details on sources and uses of funds to cover project development costs, revenues, operations and debt. This information is used to evaluate project development feasibility and long-term operating feasibility, as well as the “gap” funding needed from the City. All sheets should be kept together and placed under a dividing sheet/tab labeled “Part 2 – Development Proposal and Pro Forma Template”
4. **Narrative Questions – Part 3**  
This WORD document contains the narrative questions. Narrative Questions – Part 3 is divided into “Sections.” For example, Section 1 is Project Summary. Each Section should be completed with information requested. Attachments referenced in this part and other parts should be organized, sub-labeled and placed behind appropriate Section.
5. **Other Attachments – Part 4**  
Unless otherwise stated, attachments should be organized, labeled and included under applicable Sections, any other attachments may be placed in this part of the application.

## Application Assembly

Applications should be organized as follows:

1. Completed and signed Table of Contents/Self-Certification Checklist
2. Intent to Apply Questionnaire – Part 1 (If not already submitted)
3. Development Proposal Template – Part 2
4. Narrative Questions – Part 3
5. Other Attachments – Part 4

**Please note: There is no deadline for submission of applications. Applications will be accepted on a rolling basis.**

Eligible applicants will be awarded on a first come first served basis until all grant funds are allocated.

1. Submit one (1) hard copy of the application to Countess Jenkins
2. Submit an electronic copy via email to [comdev@chattanooga.gov](mailto:comdev@chattanooga.gov)

# RFP Application - Preservation & Production of Affordable Housing

## Table of Contents/Self-Certification Checklist

<b>Section 1 Project Summary:</b>
<input type="checkbox"/> Project Summary
<b>Section 2 Project Description:</b>
<input type="checkbox"/> Project Description
<b>Section 2 Attachments:</b>
<input type="checkbox"/> Preliminary drawings and site plan
<input type="checkbox"/> Map showing project location, nearby facilities and distances
<input type="checkbox"/> Documentation of Site Control
<input type="checkbox"/> Informational Notice to Seller (if acquisition project)
<input type="checkbox"/> Title Report (if available)
<input type="checkbox"/> Photos of the site, buildings, and interiors of units (if existing units)
<input type="checkbox"/> Section 3 Developer Plan (if application is for \$200,000 or more in funds)
<b>Section 3 Need &amp; Population Served:</b>
<input type="checkbox"/> Need & Population Served
<b>Section 4 Relocation:</b>
<input type="checkbox"/> Relocation Responses Tenant Relocation Plan
<b>Section 4 Attachments:</b>
<input type="checkbox"/> Tenant Relocation Budget
<input type="checkbox"/> Samples of the General Information Notice issued to all current occupants
<input type="checkbox"/> Tenant Rosters (current and last 30 days)
<input type="checkbox"/> Draft Move-In Notice Draft Intent to Vacate Notice
<b>Section 5 Project Schedule:</b>
<input type="checkbox"/> Project Schedule narrative Project Schedule
<b>Section 6 Development Budget(s):</b>
<input type="checkbox"/> Development Budget(s) narrative
<b>Section 6 Attachments:</b>
<input type="checkbox"/> Detailed Budget for information in Excel Template "C. Project Development" As-Built Real Estate Appraisal
<b>Section 7 Project Financing:</b>
<input type="checkbox"/> Project Financing narrative including, description and status of any funding negotiations
<b>Section 7 Attachments:</b>
<input type="checkbox"/> Documentation of all funding commitments supporting information in Excel Template "B. Project Financing"
<b>Section 8 Project Operations:</b>
<input type="checkbox"/> Operating Budget narrative

<b>Section 8 Attachments:</b>
<input type="checkbox"/> Documentation of all funding commitments supporting information in Excel Template "D. Project Operations"
<b>Section 9 Development Team/Experience/Capacity:</b>
<input type="checkbox"/> Project Team - narrative
<b>Section 9 Attachments:</b>
<input type="checkbox"/> Development consultant agreement
<input type="checkbox"/> Most recent audited financial statement and current year operating budget
<input type="checkbox"/> Copy of Property Management Agreement
<b>Section 10 Services:</b>
<input type="checkbox"/> Services - narrative
<b>Section 10 Attachments:</b>
<input type="checkbox"/> Memorandum of Understanding Services/funding commitment letters
<b>Section 11 Certifications and Authorizations:</b>
<input type="checkbox"/> Self-Certification and Threshold Requirements
<input type="checkbox"/> Certification of Information
<input type="checkbox"/> Authorization to Submit
<input type="checkbox"/> Exclusion and Debarment
<input type="checkbox"/> Conflict of Interest Disclosure Form
<input type="checkbox"/> Section 3 Business Concern Certification
<input type="checkbox"/> Section 3 Resident Certification (if required for documentation)
<input type="checkbox"/> Section 3 Plan (if requesting \$200,000 or more)
<input type="checkbox"/> Woman/Minority Business Enterprise Certification

### Self-Certification of Threshold Requirements

I, Name, Title (Authorized Official) of Organization/Applicant acknowledge that I have completed the self-certified threshold checklist and that all the required documentation necessary to review this application has been included.

**ORIGINAL SIGNATURE OF AUTHORIZED OFFICIAL**

Signature: \_\_\_\_\_

Title:

Name:

Date:

Organization:

Project:

## Part 3 - Narrative Questions

### SECTION 1

#### PROJECT SUMMARY

##### 1. Applicant Information

Organization/Applicant:	
Address:	
Project Contact Person:	
Phone:	
Fax:	
Email:	

##### 2. Development Organization/Applicant Type (check only one):

<input type="checkbox"/> Local Housing Authority
<input type="checkbox"/> Nonprofit Community, Neighborhood, State or Regional Organization
<input type="checkbox"/> Community Housing Development Organization (CHDO)
<input type="checkbox"/> For-Profit Entity
<input type="checkbox"/> Other (please specify)

##### 3. Project Name and Location

Project Name:	
Project Address:	
City and Zip Code:	
Parcel Number(s):	
Current Zoning:	
Census Tract and Block Group:	
Name of Ownership Entity:	
Total HOME award requested:	\$
Total Project Cost:	\$
Total Number of Units (at project completion):	
Number of HOME Units:	

**4. Development Consultant (if applicable)**

Organization Name:	
Consultant Name:	
Phone:	
Fax:	
Email:	

5. Will the Development Consultant serve as the primary project contact?  Yes  No  N/A

6. Project Activity Type (check all that apply):

- Rental  Homeowner
- Acquisition
- Rehabilitation
- Rehab or Adaptive Reuse of an Existing Building (not currently residential)
- Redevelopment
- Expiring Tax Credit Property
- Mixed Use (please explain)
- Other (please specify)

7. Proposed Ownership Structure (check all that apply)

- Nonprofit
- Limited Liability Corporation (LLC)
- Limited Liability Partnership (LLP)
- Limited Partnership
- CHDO
- Nonprofit Single Asset Entity
- Other Corporation
- Joint Venture
- Cooperative
- Other, Describe:

8. For Existing Housing Only (check one):

- Privately Owned
- Publicly Owned
- Owned by Applicant
- Other (please specify)

## Rental Assistance

9. Do you have a commitment for rental assistance to housing units in the project?  Yes  No

10. If yes, indicate the type of rental assistance:

- Section 8 New Construction/Substantial Rehabilitation
- Section 8 Certificates
- Section 8 Project-Based Assistance
- Other (please specify)

11. Number of housing units receiving rental assistance:

12. Number of years remaining on rental assistance contract:

13. Is the project currently required to restrict rents?  Yes  No

If yes, what is the expiration date?

## Low Income Housing Tax Credits (LIHTC)

14. Does this project propose to use Low Income Housing Tax Credits?  Yes  No

If yes, please select the LIHTC type below:

- 4% tax credit/bond project
- 9% competitive project



## SECTION 2 PROJECT DESCRIPTION

### **Project Narrative**

1. Please provide a brief narrative summary of the proposed project (new vs. acquisition-rehab, rental, or homebuyer). Describe target population and the need/housing demand/market need in both Chattanooga and the neighborhood in which the project is proposed, any unique design components, project characteristics, and why an allocation of HOME funds is crucial to the successful implementation of your project and its affordability level(s).
  
2. Total number of units:
3. Number of proposed HOME units:
4. Have HOME funds previously been awarded to this project?  Yes       No  
If yes, when does/did the affordability period end?

### **Project Design**

1. Provide a detailed description of the proposed design, construction, rehabilitation, and/or other improvements. Include a description of how the design of the project is suitable for and will meet the needs of targeted and Special Needs populations (if any).
  
2. Does the Project include components that contribute to improved energy performance, thermal comfort, a healthier indoor environment, increased durability and/or simplified maintenance requirements? Does the Project meet any green building certification standards?

### **On-Site Amenities**

1. Please describe any on-site amenities, including any project characteristics that address special needs of the population you intend to serve:

## Neighborhood/Off-Site Amenities

1. Briefly describe the property location, neighborhood, transportation options, local services and amenities adjacent to the property. Describe the location relative to schools, jobs, and parks. What makes this location suitable? (Please include these locations in the site map in Attachments.)

## Potential Development Obstacles

1. Are there any known issues or circumstances that may delay the project?  Yes  No

If yes, list issues, including an outline of steps that will be taken and the time frame needed to resolve these issues:

## Neighborhood Notification

The level of neighborhood notification appropriate for a project is based on the size and proposed use, but applicants are required to inform neighborhoods of the project.

1. In what neighborhood is the project located?
2. How did you notify the adjacent property owners and the neighborhood about the project?
3. Given the specific characteristics of your project, (if applicable) what will be done to encourage neighborhood support? Describe how surrounding neighbors will continue to be informed about the project. Identify concerns that neighbors have raised and strategies to mitigate those concerns.

## SITE/PARCEL CHARACTERISTICS

### Site Control

1. Has site control been established?  Yes  No
2. What is the form of site control?
  - Deed
  - Conditional Contract
  - Purchase Option

- Lease
- Lease Option
- Other:

3. Expiration date of option or conditional contract:
  
4. If the project involves acquisition, did you submit the Voluntary Acquisition Notice to the Owner/Seller prior to submitting the option or conditional contract?  Yes  No
  
5. Are there any anticipated changes to the project's legal description?  Yes  No  
If yes, please describe.
  
6. What is the square footage of the proposed project parcel?
  
7. Is the proposed project site subject to any existing encumbrances such as a restrictive covenant, use restriction, or regulatory agreement?  Yes  No

If so, how do you plan to mitigate the encumbrance?

- Quit-Claim Deed
- Subdivision of the Property
- Other:

## Zoning

1. What is the current zoning of the project site?
  
2. Is the proposed project consistent with the zoning status of the site?  Yes  No
  - a. If current zoning is not consistent, please explain:
  
  - b. Please outline the steps that will be taken to address zoning issues and include the time frame needed to resolve these issues:

17. Is the proposed project consistent/compatible with surrounding uses?  Yes  No

If yes, please describe.

### Existing Structures

1. Does the site contain existing structures?  Yes  No

If yes, how many?

2. What is to be done with on-site existing structures?

- Demolish
- Rehab
- Nothing (does not apply/not part of this project)

3. Please provide the following information for any on-site structures to be retained as part of this project:

Approx. Total Sq. Footage:

Number of Building(s):

Date Built:

Number of Stories:

4. Please give a brief description of the condition of the buildings to be rehabilitated:

### Environmental

1. Has any environmental testing been done on the proposed project site?  Yes  No

If yes, please check all that are applicable.

- Phase I  Phase II  Radius Review
- Asbestos Survey  Lead Based Paint Assessment
- Other – Specify:

2. Are there known adverse environmental conditions on the site?  Yes  No

If yes, what are they and can they be mitigated through reasonable measures?

## Historical Elements

1. Are any on-site structures subject to historical preservation requirements?  Yes  No

- Governing body/code:
- National Historic Register
- State Department of Archaeology and Historic Preservation
- Other:

2. Briefly state how you plan to comply with applicable historic preservation requirements:

## Section 3 Regulations

All projects/activities involving housing construction, demolition, rehabilitation, or other public construction - i.e., roads, sewers, community centers, etc. that are completed with covered funding are subject to the requirements of Section 3. Recipients of HUD financial assistance must attempt to reach the Section 3 minimum numerical goals by:

- a. Twenty-five percent (25%) of the total labor hours worked by all workers on a Section 3 covered project (not including professional services) must be worked by "Section 3 Workers," and
- b. Five percent (5%) of the total labor hours worked by all workers on a Section 3 covered project (not including professional services) must be worked by "Targeted Section 3 Workers."

All applicants are required to submit a Section 3 Business Concern Certification to the City with their applications. The Certification should have the required documentation attached, as well as the Section 3 Resident Certifications to back up any employees claiming Section 3 status.

1. Does this application include HOME funds of \$200,000 or more?  Yes  No

If yes, in addition to your Section 3 Business Concern Certification, you must submit an Acknowledgement and Intent to Comply with Section 3 form and a Section 3 Plan to detail how you will meet the above goals, and good faith efforts, during your project.

2. Explain any previous experience with Section 3, including but not limited to,
- a. Section 3 training received
  - b. Current commitments to hiring/training/outreach to Section 3 Business Concerns/Residents
  - c. Section 3 hiring on non-federally subsidized developments

3. Do you certify that you have reviewed the City's Section 3 Training: A Primer for HUD Grant Recipients  Yes  No

## Minority and Women Owned Businesses

What steps will you take to hire businesses that are registered with the State of Tennessee as MBE or WBE firms?

## Attachments

- Map showing project location, nearby facilities (schools, bus stops, parks, etc.) and distances to those facilities
- Preliminary drawings and site plan
- Documentation of Site Control
- Informational Notice to Seller (for acquisition projects)
- Title Report (if available)
- Photos of the site, buildings, and interiors of units (if existing units)
- Acknowledgement and Intent to Comply with Section 3 (for applications of \$200,000 or more)
- Section 3 Plan

## SECTION 3 NEED & POPULATIONS SERVED

### Population Narrative

Describe the target population to be served.

### Target Population Income

- 0-30% AMI      # of Units
- 31-50% AMI    # of Units
- 51-80% AMI    # of Units

### Homebuyer

1. Will this project include construction of units for homeownership?       Yes       No  
If Yes, will eligible homebuyers be identified prior to start of construction?       Yes       No

2. Describe organization's 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 and process to provide housing counseling.

### Special Needs

1. Will this project serve Special Needs populations?  Yes  No

**If you are a non-profit but is not developing housing for special needs populations or a for-profit entity that does not have a MOU with an organization serving this population, you are not required to complete 6-13.**

2. Special Needs Populations to be served (Check all that apply).

- Elderly/Frail Elderly
- Severe Mental Illness
- Developmentally Disabled
- Physically Disabled
- Substance Abuse
- HIV/AIDS
- Domestic Violence
- Ex-Offenders
- Youth Under 18
- Young adults aging out of foster care
- Veteran
- Other Special Needs (please explain)

3. Is your organization working with a referral service entity on this project?  Yes  No

4. State the name of the referral entity:

5. If a working arrangement with a referral service entity has not been established, briefly state why not.

### Homeless

Will this project serve homeless individuals and/or families?  Yes  No

**Services**

1. Will this project provide services? (e.g. Child Care, Case Management, Transportation)  
 Yes     No
  
2. Describe services promoting self-sufficiency and independent living. Include in this discussion any counseling, job training, or other education, both on site and off site, which will be made available to residents of your project.
  
3. Describe how residents will be encouraged to participate in decision making processes.

**SECTION 4  
RELOCATION**

1. Does this project involve the acquisition, demolition, or rehabilitation of any existing structures that are currently occupied or were occupied prior to the submission of this application?  
 Yes     No    (If no, skip to Section 5)

**Relocation Plan**

1. Provide a description of how tenants will be relocated, permanently or temporarily, as a result of this project. Describe how the plan minimizes displacement. It should identify staff that will carry out relocation activities, provide an estimated timeline for all relocation activities, including the issuing of notices. The plan should include a budget showing estimated costs associated with tenant relocation. Include detailed budget under Attachments and be sure to include cost in Project Development budget. The City HOME funds cannot be used to cover relocation costs. If the applicant does not properly adhere to relocation requirements, the City will not provide funding for the project.

Tenant Relocation Plan

2. Have you collected information on all current occupants of the property, including both residential and commercial tenants, and occupants with or without leases?  
 Yes     No



3. If acquisition, have you included provisions that enable you to obtain tenant income and rent information, and to give notices to existing and incoming tenants prior to closing?

Yes     No

4. Did anyone move out within the 90 days prior to the execution of the Option Agreement/Conditional Contract?

Yes     No

### Type of Relocation

1. Enter the number of tenant households to be relocated:

Residential:     Permanently                       Temporarily                       None

Commercial:     Permanently                       Temporarily                       None

2. Explain the income verification process and the strategy for addressing any current residents who are not eligible to remain in the building.

3. What requirements or guidelines govern your relocation plan? (check all applicable)

Uniform Relocation Act

Section 104 [d]

Other (please specify):

4. Have you identified replacement or temporary units for those who will be displaced?

Yes     No

5. Have you calculated tenants' relocation benefits in preparation of a relocation budget?

Yes     No

### Relocation Notices

For projects subject to an established local relocation policy:

1. Have you provided General Information Notices to all occupants using the sample notices in HUD's Handbook on relocation (including both residential and commercial tenants, and occupants with or without leases)?

Yes     No

2. Are you prepared to provide tenant information to City of Chattanooga so that subsequent notices can be provided to tenants immediately upon notification of award of funding? (i.e., Notice of Eligibility or Notice of Non-Displacement)

Yes     No

3. Is the applicant or property owner prepared to issue move-in notices to all new tenants that sign leases subsequent to this funding application?

Yes     No

4. Is the applicant or property owner prepared to issue Intent to Vacate forms to all tenants who move from the property subsequent to this funding application?

Yes     No

**Please contact ECD for Additional Guidance**

**Attachments**

Relocation Budget

Sample of the General Information Notice issued to all current occupants

Tenant Rosters (current and last 30 days)

Drafts of Move-in Notices

Drafts of Intent to Vacate Notices

**SECTION 5  
PROJECT SCHEDULE**

**Project Schedule Narrative**

Please provide a narrative description to accompany the project schedule in your other information. Please be specific about how the timelines were determined for obtaining commitments for leveraged project financing, forming legal ownership entities, real estate closing, temporary and permanent

relocation, construction commencement, construction completion, lease-up, etc. Describe the plan for securing all financing and the timeline planned to complete acquisition.

## SECTION 6 DEVELOPMENT BUDGET

### Development Budget Narrative

Discuss the development budget – line items, justifications and sources of costs estimates and assumptions. (Specifically related to the Sheet C. Project Development of the Development Template. Budget information must be detailed and costs reasonable. Describe any choices the development team has made related to long-term affordability and cost savings.

### Attachments

- Post construction/renovation Real Estate Appraisal
- Detailed development budget supporting numbers in Excel Template

## SECTION 7 PROJECT FINANCING: SOURCES

### Financing Circumstances

1. HOME funds requested: \$
2. Other resources: \$
3. Total Project cost: \$

### Sources of Project Funding

Source	Amount	Percentage of Total
HOME Request	\$	%
	\$	%
	\$	%
	\$	%
	\$	%
	\$	%
<b>Totals Project Financing</b>	<b>\$</b>	<b>%</b>

4. Please describe financing details and funding structures related to sources of funding shown in the Excel Template “B. Project Financing” for project development. Discuss the timing of obtaining the other funding commitments prior to receiving a HOME award, and the likelihood of obtaining all funding commitments by project start date.

**Attachments**

- Funding commitment letters – All sources (Lender(s)' commitment letters, copies of promissory notes for each mortgage, documentation for all other liens or encumbrances against the property)
- Documentation for donations

**SECTION 8  
PROJECT OPERATIONS**

**Operations Narrative**

1. Please provide a narrative description of the long-term operations (specifically related to Excel Template “D. Project Operations”. Please justify costs and assumptions. If not using HOME Rents, please describe why the other rents were selected (may still be required to use HOME Rents).

**Attachment**

- Support, detailed budget/documentation for numbers in Excel Template “D. Project Operations”

**SECTION 9**  
**PROJECT TEAM/EXPERIENCE/CAPACITY**

**Personnel**

List the names of key members of the organization’s development team, their titles and their years of experience in affordable housing below.

Name	Title (e.g., executive director, project manager)	Years’ Experience in Affordable Housing

**Organizational History**

1. Has the organization developed affordable housing projects previously?  Yes  No

2. Experience:            Years

3. Has the organization completed similar projects for which you are seeking funding through this application – HOME funds?  Yes  No

Number of similar projects completed:            Projects

Please describe the similar projects completed and their current status:

4. Number Units Placed in Service:            Units

5. When was the organization’s last independent financial audit completed?

Were there any findings?  Yes  No

Have these findings been resolved?  Yes  No

If not, what is your plan for resolution?  Yes  No

6. Is the organization currently engaged in any project workouts on other projects?

Yes       No

7. If yes, please list any projects in workout, and provide a brief summary of the reason for the workout status.

Project Name	Reason for Workout

### Ownership Entity

1. What is the legal status of the Ownership Entity for the project?

Currently Exists

To Be Formed prior to receiving a HOME award. Estimated formation date:

2. Ownership Entity Information

Name:

Address:

City:

State:

Zip Code:

Phone:

E-mail:

Fax:

Federal Identification Number:

3. Individuals/Organizations that Comprise the Ownership Entity (if known at time of application):

Name	Address	Phone	Entity Type	Federal ID #	% Ownership
					%
					%
					%
					%
					%

4. Is the relationship between the ownership entity and organization expected to change over time?  Yes  No

If yes, how will the relationship change?

### **Property Management**

1. Briefly summarize the management plan for this project. Be sure to address facility maintenance, on-site management, and services provided:
2. Explain your marketing strategy and the tenant selection process, including the establishment and management of any waiting lists.
3. Describe your organization's experience with income verification including information collected, required documentation, and third party verifications.
4. If you contract with a property management agency, discuss the management agency's ability to efficiently maintain additional properties and assets.

5. Will management be provided on site?  Yes  No

If yes, form of management:

- Resident Manager(s) - Number of units:  
 Management office (Business Hours Only)  
 Management office (24 Hours)  
 Other, Describe:

If no, describe your service area and how this project fits within your organization's capacity.

6. List the names of key property management staff, their titles and their years of experience in affordable housing.

Name	Title (e.g., project manager, intake staff)	Years' Experience in Affordable Housing

**Attachments**

- Development Consultant Agreement
- Copy of Property Management Agreement
- Most recent audited financial statement and current year operating budget

**SECTION 10  
SERVICES**

**Intake and Transition**

1. If in Section 3, you indicated that your organization is working with a referral agency, describe their focus and service areas:
  
  
  
  
  
  
  
  
  
  
2. If in Section 3, you indicated that your organization is NOT working with a referral agency, describe how individuals and families will find out about your program:
  
  
  
  
  
  
  
  
  
  
3. If your organization intends to serve homeless individuals and families, indicate your expected client source (check all that apply):



- Streets
- Shelters
- Hospitals
- Jails
- Other (please explain)

4. Specify any imposed time limit on tenancy (i.e. up to 24 months for transitional housing).  
Months

5. Explain how time-limited households will transition into permanent housing.

**Case Management and Other Services**

1. Describe your case management or services model and how it leads to housing stability and self-sufficiency for the client.

2. What are the proposed staffing levels (case manager to household ratio)?

case managers to households

3. If services will be provided by another agency, provide the name of the organization that will provide the services, the roles and responsibilities of the agency, and who will be the lead.

Service Provider	Role/ Responsibility	Lead at Service Provider

4. Describe how coordination of services will be handled.

**Project Fit with Agency Mission**

1. Briefly describe how this project fits the organization's mission and that of any project partner's mission.
2. Describe your property management experience, or that of your proposed property manager entity, as it relates to working with the proposed population.

### **Cultural Competency**

1. Explain how your organization will provide culturally competent services that meet the needs of the proposed population.
2. Describe how your organization's staff and board reflect the population that will be served, and how your organization is working to broaden staff and board diversity and knowledge around cultural competency.

### **Attachments**

- Memorandum of Understanding with service provider(s)
- Services/funding commitment letter(s)

## SECTION 11

### CERTIFICATIONS AND AUTHORIZATIONS

#### A. Certification of Information

The undersigned hereby certifies that the information set forth in this form, and in any attachment in support thereof, is true, correct and complete. If additional sources of federal funds become available, The City will be notified immediately. The undersigned also certifies that they are aware that providing false information can subject the individual signing to criminal sanctions up to and including a Class B Felony.

APPLICANT/ORGANIZATION:

APPLICANT INFORMATION

(Please print clearly)

Name of Authorized Signee:

Title of Authorized Signee:

Mailing Address:

Telephone(s):    Cellular:        Home or Office:

E-mail Address:

Authorized Signature: \_\_\_\_\_

Date of Application:

**B. Authorizations for Submittal**

Name of Organization:

Address:

Name of Individual Authorized to Submit Application:

Title:

\_\_\_\_\_  
Signature

Date:

Board of Directors Authorization to Submit (If applicable)

I (We) certify to the City of Chattanooga that the Board of Directors of the organization identified in this application has authorized the submission of this request for funding support. I(We) certify that the information contained in this proposal is true and complete to the best of my(our) knowledge.

Name of Authorized Board Official:

Signature of Authorized Board Official:\_\_\_\_\_

Title:

Date:

Name of Authorized Board Official:

Signature of Authorized Board Official:\_\_\_\_\_

Title:

Date:

## C. Exclusion and Debarment

### Certification Regarding Debarment, Suspension, Ineligibility and Voluntary Exclusion Lower Tier Covered Transactions\*

(\*Note: Lower Tier refers to the agency or contractor receiving Federal funds, as well as any subcontractors that the agency or contractor enters into contract with using those funds.)

*Title 24 Code of Federal Regulations Part 24 requires that City of Chattanooga not enter into contract with any agency, corporation, partnership, or other legal entity that has been debarred, suspended, proposed for debarment, declared ineligible, or voluntarily excluded by the Federal Government from participating in transactions involving Federal funds. You are required to sign the certification below which specifies that neither you nor your principals are presently debarred, suspended, proposed for debarment, declared ineligible, or voluntarily excluded from participation in programs funded by a Federal agency. It also certifies that you will not use, directly or indirectly, any of these funds to employ, award contracts to, engage the services of, or fund any contractor that is debarred, suspended, or ineligible under 24 Code of Federal Regulations Part 24.*

*If you need to determine whether your agency/firm has been debarred or suspended, or if a subcontractor you plan to hire is suspended or debarred, please refer to the following sources:*

- *List of Parties Excluded From Federal Procurement and Nonprocurement Programs, issued by the U.S. General Services Administration, Office of Acquisition Policy. Contact the Superintendent of Documents, U.S. Government Printing Office, Washington D.C. 20402 (Reference Stock # 722-002-00000-8). The telephone number is 202-512-1800.*
- *Internet access is also available at <http://epls.arnet.gov>*

#### Instructions for Certification

1. By signing and submitting this proposal, the prospective lower tier participant is providing the certification set out below.
2. The certification in this clause is a material representation of fact upon which reliance was placed when this transaction was entered into. If it is later determined that the prospective lower tier participant knowingly rendered an erroneous certification, in addition to other remedies available to the Federal Government the department or agency with which this transaction originated may pursue available remedies, including suspension and/or debarment.
3. The prospective lower tier participant shall provide immediate written notice to the person to whom this proposal is submitted if at any time the prospective lower tier participant learns that its certification was erroneous when submitted or had become erroneous by reason of changed circumstances.
4. The terms covered transaction, debarred, suspended, ineligible, lower tier covered transaction, participant, person, primary covered transaction, principal, proposal, and voluntarily excluded, as used in this clause, have the meaning set out in the Definitions and Coverage sections of rules implementing Executive Order 12549. You may contact the person to which this proposal is submitted for assistance in obtaining a copy of those regulations.
5. The prospective lower tier participant agrees by submitting this proposal that, should the proposed covered transaction be entered into, it shall not knowingly enter into any lower tier covered transaction with a person who is proposed for debarment under [48 CFR part 9, subpart 9.4](#), debarred, suspended, declared ineligible, or voluntarily excluded from participation in this covered transaction, unless authorized by the department or agency with which this transaction originated.
6. The prospective lower tier participant further agrees by submitting this proposal that it will include this clause titled "Certification Regarding Debarment, Suspension, Ineligibility and Voluntary Exclusion-Lower Tier Covered Transaction," without modification, in all lower tier covered transactions and in all solicitations for lower tier covered transactions.

7. A participant in a covered transaction may rely upon a certification of a prospective participant in a lower tier covered transaction that it is not proposed for debarment under [48 CFR part 9, subpart 9.4](#), debarred, suspended, ineligible, or voluntarily excluded from covered transactions, unless it knows that the certification is erroneous. A participant may decide the method and frequency by which it determines the eligibility of its principals. Each participant may, but is not required to, check the List of Parties Excluded from Federal Procurement and Nonprocurement Programs.
8. Nothing contained in the foregoing shall be construed to require establishment of a system of records in order to render in good faith the certification required by this clause. The knowledge and information of a participant is not required to exceed that which is normally possessed by a prudent person in the ordinary course of business dealings.
9. Except for transactions authorized under paragraph 5 of these instructions, if a participant in a covered transaction knowingly enters into a lower tier covered transaction with a person who is proposed for debarment under [48 CFR part 9, subpart 9.4](#), suspended, debarred, ineligible, or voluntarily excluded from participation in this transaction, in addition to other remedies available to the Federal Government, the department or agency with which this transaction originated may pursue available remedies, including suspension and/or debarment.

**Certification Regarding Debarment, Suspension, Ineligibility and Voluntary Exclusion  
Lower Tier Covered Transactions**

- (1) The prospective primary participant certifies to the best of its knowledge and belief, that it and its principals:
  - (a) Are not presently debarred, suspended, proposed for debarment, declared ineligible, or voluntarily excluded by any Federal department or agency;
  - (b) Have not within a three year period preceding the effective date of this contract been convicted of or had a civil judgment rendered against me or  

(Contractor's/Company Name)

 for commission of fraud or a criminal offense in connection with obtaining, attempting to obtain, or performing a public (Federal, State or local) transaction or contract under a public transaction; violation of Federal or State antitrust statutes or commission of embezzlement, theft, forgery, bribery, falsification or destruction of records, making false statements, or receiving stolen property;
  - (c) Are not presently indicted for or otherwise criminally or civilly charged by a government entity (Federal, State or local) with commission of any of the offenses enumerated in paragraph (1)(b) of this certification; and
  - (d) Have not within a three-year period preceding this application/proposal had one or more public transactions (Federal, State or local) terminated for cause or default.
- (2) Where the prospective primary participant is unable to certify to any of these statements in this certification, such prospective participant shall attach an explanation to this proposal.

Signed: \_\_\_\_\_  
(Authorized Recipient Name/Title)

Date:

Print Name:

Organization:

## D. Conflict of Interest Disclosure Form

Federal Law prohibits persons who exercise or who have exercised any functions or responsibilities with respect to the funding sources administered through this jurisdiction (1) or who are in the position to participate in a decision making process or to gain inside information with regard to such activities, may obtain a financial interest or benefit from an assisted activity...either for themselves or those whom they have family or business ties, during their tenure or for one year thereafter.

Therefore, please answer the following disclosure questions:

1. Are you currently a (Please Check One):

- Board Member                       Council Member                       Officer  
 Executive Management Staff                       Staff (associated with delivery of program)

2. City position held:

3. Are you a business partner of any City of Chattanooga employee(s), member of City Council or member of the Community Development Advisory Committee (CDAC)?  Yes       No

If yes, please state the name of the City employee(s) and the Department, City Council Member(s) or CDAC Member:

4. Are you an immediate family member of any City of Chattanooga employee(s), member of City Council or member of the CDAC? NO \_\_\_\_\_ YES \_\_\_\_\_

If yes, please state the name of the City employee(s) and the Department, City Council Member(s) or CDAC Member and the relationship.

5.  I have no conflict of interest associated to funding received from the City under this project/program. Should any arise, I will immediately notify the City and make this know.

Signature: \_\_\_\_\_

Name (Please Print):

Name of Current Employer:

Date:

(1) 24 CFR: 570.611 (CDBG, ESG, NSP1, NSP3); 24 CFR: 92.356 (HOME); 24 CFR: 574.625 (HOPWA) and/or any other citations applicable to any future funding that may be awarded to this jurisdiction.

### E. Section 3 Business Concern Certification

Eligibility for Preference: A business concern seeking to qualify for a Section 3 contracting preference shall certify or submit evidence, if requested, that the business concern qualifies for Section 3 status, as defined in 24 CFR 75. Certification is valid for three years.

#### Basic Information

Business Name:

Business Address:

Phone:

Fax:

Email:

Type of Business:  Corporation       Partnership       Sole Proprietorship       Joint Venture

Type of Services Provided:

Type of Section 3 Business:

Please answer the following questions and provide the indicated required documentation where applicable. The City of Chattanooga's Office of Community Development reserves the right to request additional documentation (see page 2) to verify the information provided on this form.

1. Are you currently certified as a Section 3 business by the Department of Housing and Urban Development or other government entity or Housing Authority?

- No  
 Yes (Attach a copy of certification letter)

Documentation:

- a. Certification letter

Is the business at least 51 percent owned by low- or very low-income persons?

- No  
 Yes

Documentation:

- a. Company documents outlining ownership structure: copy of articles of incorporation, operating agreement (LLC), list of shareholders and percentage of ownership interest (corporation), partnership agreement, certificate of good standing, corporation annual report, etc.
- b. Completed and signed Section 3 Resident Certifications for each resident/owner counted as a Section 3 resident
- c. Substantiating documentation for each Section 3 resident: copy of public housing lease, copy of household income tax return, etc.



2. Is 75 percent or more of the labor hours performed for the business are performed by low- or very low-income persons?

No

Yes (Attach a current employee roster and the qualified employees' Section 3 Resident Certifications)

Documentation:

- a. Substantiating documentation to confirm total number of full-time employees such as employment roster with hire dates, hours worked, etc.
- b. Provide the last 90 days full payrolls for the entire company, make a list of the names from the payrolls of the Section 3 workers,
- c. Completed and signed Section 3 Resident Certifications for each full-time employee counted as a low income worker

3. Is the business at least 51 percent owned by current public housing residents or residents who currently live in Section 8-assisted housing?

No

Yes

Documentation:

- a. Company documents outlining ownership structure: copy of articles of incorporation, operating agreement (LLC), list of shareholders and percentage of ownership interest (corporation), partnership agreement, certificate of good standing, corporation annual report, etc.
- b. Substantiating documentation for each Section 3 resident: copy of public housing lease, copy of household income tax return, etc.

### Certification

I hereby certify under penalty of perjury that all information presented herein is true and correct to the best of my knowledge. I understand that falsifying information and incomplete statements will disqualify certification status. I agree to allow this information to be shared with local and federal entities in an effort to increase my business' contracting potential.

Signature: \_\_\_\_\_

Date:

Print Name:

Title:

## F. Section 3 Resident Certification

Eligibility for Preference: A Section 3 resident seeking preference in training and employment shall certify, or submit evidence to the recipient, contractor, or agency, if requested, that the person qualifies as a Section 3 resident, as defined in 24 CFR 75.

Name:  
 Home Address:  
 City/State/Zip:  
 Phone #: \_\_\_\_\_ Alternate #:  
 Email:  
 Homeless:     Yes             No

1. I meet the following criteria to be a Section 3 Resident:

- I am a resident of public housing, OR
- I meet the income limits for the City of Chattanooga listed below:

### INCOME CERTIFICATION

Please find your household size below and check the box that best corresponds to your annual household income amount. Individuals who meet the income limits set forth below can qualify for Section 3 status for three years from the most recent qualifying year.

Household size	Year 2020	Year 2019	Year 2018
1 Person	<input type="checkbox"/> \$40,700 or below	<input type="checkbox"/> \$38,000 or below	<input type="checkbox"/> \$34,550 or below
2 People	<input type="checkbox"/> \$46,500 or below	<input type="checkbox"/> \$43,400 or below	<input type="checkbox"/> \$39,500 or below
3 People	<input type="checkbox"/> \$52,300 or below	<input type="checkbox"/> \$48,850 or below	<input type="checkbox"/> \$44,450 or below
4 People	<input type="checkbox"/> \$58,100 or below	<input type="checkbox"/> \$54,250 or below	<input type="checkbox"/> \$49,350 or below
5 People	<input type="checkbox"/> \$62,750 or below	<input type="checkbox"/> \$58,600 or below	<input type="checkbox"/> \$53,300 or below
6 People	<input type="checkbox"/> \$67,400 or below	<input type="checkbox"/> \$62,950 or below	<input type="checkbox"/> \$57,250 or below
7 People	<input type="checkbox"/> \$72,050 or below	<input type="checkbox"/> \$67,300 or below	<input type="checkbox"/> \$61,200 or below
8 People	<input type="checkbox"/> \$76,700 or below	<input type="checkbox"/> \$71,650 or below	<input type="checkbox"/> \$65,150 or below

2. If requested, I am able to provide the following documentation as evidence of my Section 3 eligibility:

- Copy of a lease in a public housing program
- Copy of receipt or other evidence of participation in a public assistance program (ex. SNAP, WIC, Medicaid/LaCHIP, SSI...)
- Copy of household income tax return(s)
- Other evidence (ex. utility bill, W-2, 1099 form):

3. I have the following job skills, certifications, or training:

I hereby certify under penalty of perjury that all information presented herein is true and correct to the best of my knowledge. I agree to allow this information to be shared with local and federal entities in an effort to increase my hiring potential.

Signature: \_\_\_\_\_

Date: \_\_\_\_\_

## G. Woman/Minority Business Enterprise Certification

### Basic Information

Business Name:

Business Address:

Phone:

Fax:

Email:

Type of Business:  Corporation       Partnership       Sole Proprietorship       Joint Venture

Type of Services Provided:

### Woman/Minority Business Enterprise

Please answer the following questions and provide the indicated required documentation where applicable. The City of Chattanooga's Office of Community Development reserves the right to request additional documentation (see page 2) to verify the information provided on this form.

1. Is this a business concern that is:

- a sole proprietorship, owned and controlled by a minority (list race(s): \_\_\_\_\_ )
- a partnership or joint venture controlled by minorities in which 51% of the beneficial ownership interest is held by minorities
- a corporation or other entity controlled by minorities in which at least 51% of the voting interest and 51% of the beneficial ownership interest are held by minorities

**If yes, please attach proof of ownership**

2. Is this a business concern that is:

- a sole proprietorship, owned and controlled by a woman
- a partnership or joint venture controlled by women in which 51% of the beneficial ownership interest is held by women
- a corporation or other entity controlled by women in which at least 51% of the voting interest and 51% of the beneficial ownership interest are held by women

**If yes, please attach proof of ownership**

### Certification

I hereby certify under penalty of perjury that all information presented herein is true and correct to the best of my knowledge. I understand that falsifying information and incomplete statements will disqualify certification status. I agree to allow this information to be shared with local and federal entities in an effort to increase my business' contracting potential.

Signature: \_\_\_\_\_ Date: \_\_\_\_\_

Print Name: \_\_\_\_\_ Title: \_\_\_\_\_

## H. City of Chattanooga

### Acknowledgement and Intent to Comply with Section 3 Requirements (for projects \$200,000 or more in HUD funds)

Name of Subrecipient/Developer/General Contractor:

Business Address:

Business Phone:

Contact Name:

Title:

Contact Phone:

Contact Email:

Name of General Contractor (if applicable):

Business Address:

Business Phone:

Contact Name:

Title:

Contact Phone:

Contact Email:

If awarded a HUD funded contract, I will:

1. Insert the Section 3 language (provided by the City) into all HUD Section 3 covered contracts and subcontracts;
2. Submit and implement, to the greatest extent feasible, a City of Chattanooga Section HUD Section 3 Plan which will form part of our contractual obligations to the City of Chattanooga;
3. Submit all required employment and contracting documentation as requested by the Section 3 Program Manager after review of the Section 3 Plan; and
4. Take affirmative actions to comply with all HUD Section 3 notification, information, attain and report quarterly (or agreed upon timing with Section 3 Program Manager) efforts toward achieving established HUD Section 3 hiring and contracting compliance goals and reporting obligations.

We are (I am) committed to comply with the HUD Section 3 Act, the Section 3 regulations, and the City of Chattanooga HUD Section 3 requirements. It is our desire to work together to ensure compliance, to the greatest extent feasible, through the awarding of contracts for work and services to HUD Section 3 business concerns and to provide employment and training to HUD Section 3 residents.

Note: This page is part of your application/RFP response/bid package.

Subrecipient/Developer/General Contractor:

Print Name: \_\_\_\_\_ Title:  
Signature: \_\_\_\_\_ Date:

General Contractor (if applicable):

Print Name: \_\_\_\_\_ Title:  
Signature: \_\_\_\_\_ Date:

**HUD City of Chattanooga Section 3**

Section 3 is a provision of the Housing and Urban Development (HUD) Act of 1968, federal regulation §24 CFR 75. The City of Chattanooga is committed to their Section 3 Program to foster local economic development, neighborhood economic development, and individual self-sufficiency. Section 3 Program requires recipients of certain HUD housing and community development financial assistance, to the greatest extent feasible, to provide employment and job training for low- and very low-income persons and contracting opportunities to business concerns which provides economic opportunities to low- and very low-income persons in connection with projects and activities in their neighborhoods.

**Employment and Training**

To demonstrate compliance with HUD Section 3 regulations, the goal is to employ Section 3 residents at least twenty-five percent (25%) of the total labor hours worked by all workers on a Section 3 covered project (not including professional services) must be worked by “Section 3 Workers,” and five percent (5%) of the total labor hours worked by all workers on a Section 3 covered project (not including professional services) must be worked by “Targeted Section 3 Workers,”

“Section 3 Worker” is defined as:

1. a worker whose income, before being hired to work on the project, is below the income limit established by HUD (income based on household income), or
2. a worker who is employed by a Section 3 business concern

A “Targeted Section 3 Worker” is defined as:

1. a worker employed by a Section 3 business concern, or
2. a worker who is or was when hired by the worker’s current employer:
  - a. A Section 3 worker living within the service area or the neighborhood of the project, or
  - b. A current YouthBuild participant

**Contracting**

To demonstrate compliance with HUD Section 3 regulations, each developer, contractor and subcontractor on a covered Section 3 project must acknowledge and actively seek to achieve the following Section 3 goal:

To the greatest extent feasible contracts and subcontracts awarded in connection with Section 3 projects are provided to Section 3 business concerns that provide economic opportunities to Section 3 workers residing within the metropolitan area (or non-metropolitan county) in which the project is located.

Those efforts should be directed as follows:

1. Section 3 Business concerns that provide economic opportunities for Section 3 workers residing within the service area or the neighborhood of the project; and
2. YouthBuild programs.

A Section 3 Plan is submitted when a company is bidding on or has been awarded \$100,000 or more on a HUD funded covered project. When awarded HUD funds for a covered Section 3 project, the Section 3 Plan is used as a baseline for meeting the minimum goal requirements as stated above. Compliance documents:

1. Section 3 Plan
2. Workforce Form
3. Verification of Income Form (for Section 3 Residents only)
4. Section 3 Summary Report - as agreed upon depending of the length of the project (timing could be monthly, quarterly, semi-annual, and/or annual), which could include certified payroll, unconditional waiver, or etc.
5. Section 3 Final Summary Report – at completion of project
6. Section 3 Business Certification and Program Information

Qualified Section 3 business concerns receive a preference in HUD contracting opportunities. If you would like more information on the Section 3 Program and to certify as a Section 3 business, visit Community Development web page, <http://www.chattanooga.gov/economic-community-development/community-development/subrecipient-and-landlord-resources>. The Section 3 manager is Regina Partap, 423-643-7335, [rpartap@chattanooga.gov](mailto:rpartap@chattanooga.gov).

### Additional Section 3 Information

A Section 3 Worker should meet the requirement of household income for low- or very low-income person;

Family Size	1 person	2 persons	3 persons	4 persons	5 persons	6 persons	7 persons	8 persons
Income	\$40,700	\$46,500	\$52,300	\$58,100	\$62,750	\$67,400	\$72,050	\$76,700

FY 2020 - \$72,600 Median Income; Chattanooga MSA Income Limits subject to change annually (source: Chattanooga, TN-GA MSA HUD METRO FMR AREA AMI Income Limits as of 07/01/2020)

### Priorities for Section 3 Contracting, Training, and Employment

For contracting:

1. Businesses that meet the definition of a Section 3 business concern

For training and employment:

1. Persons in public and assisted housing
2. Persons in the area where the HUD financial assistance is expended ☐ Participants in HUD Youthbuild programs
3. Homeless persons

Examples of non-construction and construction jobs include but not limited to:

<b>Non-construction</b>		<b>Construction</b>
Administrative/Management	Services	Architecture
Accounting	Appliance repair	Bricklaying
Bookkeeping	Carpet installation	Carpentry
Payroll	Catering	Cement/Masonry
Purchasing	Computer/Information	Demolition
Research	Florist	Drywall
Word processing/Data Entry	Janitorial	Electrical
	Landscaping	Elevator construction
	Manufacturing	Engineering
	Marketing	Fencing
	Photography	Heating
	Printing	Iron works
	Transportation	Painting
	Tree Removal	Plastering
		Plumbing
		Surveying
		Tile setting



GUIDELINES AND INSTRUCTIONS  
FOR  
REQUEST FOR PROPOSALS  
TO  
PRODUCE AND PRESERVE  
AFFORDABLE HOUSING

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



It is the policy of the City of Chattanooga that all its services and activities be administered in conformance with the requirements of Title VI of the 1964 Civil Rights Act which ensures that "no person in the United States shall, on the grounds of race, color, or natural origin, be excluded from participation in, be denied the benefits of, or be subjected to discrimination under any program or activity receiving federal assistance".



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# City of Chattanooga Request for Proposals (RFP) to Produce and Preserve Affordable Housing

The City of Chattanooga's Housing and Community Investment (HCI) is seeking partners to assist in increasing the supply of decent and affordable housing for City residents through production and preservation activities. HCI desires responses from partners that offer creative ways of improving the housing stock in the City of Chattanooga. Eligible applicants can be for-profit or non-profit entities.

HCI 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). All activities funded must be within the Chattanooga City limits.

Available funds are estimated to range from \$650,000 to \$1 million dollars. The level of available funds remains fluid as sources may include current year federal allocations and funds being reallocated from stalled projects.

The City funds will only be provided as gap financing that is not otherwise available from other sources. **The maximum assistance provided to a project will be limited to fifty percent (50%) of the construction/renovation cost, (per unit), not to exceed \$40,000 (per unit).**

By federal regulation, the City may not invest more HOME funds, alone or in combination with other governmental assistance, than is necessary to provide quality affordable housing that is financially viable through the affordability period. Therefore, as policy, the City desires to provide enough funding to each approved transaction 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.

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.

Applicants should make a specific request to the City. 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.

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.

# How to Apply

## 1. REVIEW INFORMATION

Carefully review application materials, program, and developer requirements. An electronic version of the application and requirements are at: <https://chattanooga.gov/economic-development/home-application>; included are:

- a. Intent to Apply Questionnaire
- b. Program Descriptions and Guidelines
- c. Application
- d. Excel-based Development Proposal Template
- e. Section 3 Business Concern Certification
- f. Acknowledgement and Intent to Comply with Section 3 (if applicable)
- g. Environmental Review Application
- h. HUD Rents and Income Limits
- i. Utility Allowances will be calculated for you based on type and size of housing unit, type utilities and zip code

## 2. ATTEND A TRAINING WORKSHOP

Periodically, the City will host a Training Workshop to provide an overview of program features and requirements. Dates for training opportunities will be posted on the Community Development website. Material presented in the workshop not only includes guidance on completing the application and related materials, but also covers immediate and long-term regulations and requirements associated with the federal funds.

## 3. COMPLETE AND SUBMIT “Intent to Apply Questionnaire” to HCI - **Required (Preliminary Assessment)**

To ensure that applicants do not waste time completing and submitting applications/proposals for projects that cannot be considered because they are ineligible or not feasible, HCI staff would like to conduct a preliminary assessment of the project and provide applicants the opportunity to discuss the proposed project. Information in the Intent to Apply Questionnaire will provide the basis for a preliminary assessment.

Submit one (1) electronic version of the Intent to Apply Questionnaire to:  
[HCI@chattanooga.gov](mailto:HCI@chattanooga.gov)

## 4. CONTACT HCI STAFF TO PRELIMINARILY DISCUSS PROPOSED PROJECT

For information, or to discuss your proposal, contact:

Regina Partap  
643- 7335  
rpartap@chattanooga.gov

Sandra Gober  
643-7332  
sgober@chattanooga.gov

5. SUBMIT A COMPLETED APPLICATION AND ATTACHMENTS

Complete Application (including checklist), Environmental Review Application, Section 3 Business Concern Certification, Acknowledgement and Intent to Comply with Section 3 (if applicable), Development Proposal Template, and Tenant Selection Policies (for rental projects). Make sure that all required attachments are included with the application.

Submit one (1) electronic version of the completed Application, the Development Proposal Template (pro forma) and all required attachments to: [HCl@chattanooga.gov](mailto:HCl@chattanooga.gov)

## Program Descriptions and Guidelines Overview

Through this Request for Proposals (RFP) the City of Chattanooga's Housing and Community Investment (HCI) is seeking partners to assist in increasing the supply of decent and affordable housing for City residents. HCI desires responses from partners that offer creative ways of improving both the housing stock in the City of Chattanooga and the neighborhoods in which the housing is located.

HCI has established priorities for housing that include reconstruction or rehabilitation of existing single and multifamily housing properties (for rental), new rental housing development, and homeownership housing development. Housing may be for the general low/moderate income population or for special needs populations (homeless, seniors, veterans, disabled). All funded activities must be within the Chattanooga City limits.

This RFP contains the basic program guidelines for the City's HOME funded projects and application instructions. The information presented should not be construed as an exhaustive list of the regulations and requirements and should be taken only as a general guideline and is not a substitute for a thorough understanding of the regulations. Developers assume all risk of any pre-development funds expended before funding is formally approved and are ultimately responsible for compliance with all applicable regulations. The City of Chattanooga will make every effort in assisting developers and sub recipients with program compliance issues.

### Available Funding

Available funds are estimated to range from \$650,000 to \$1 million dollars. The amount of available funds remains fluid as sources may include current year federal allocations and funds being reallocated from stalled projects.

### Funding Limits and Leverage

The City funds will only be provided as gap financing that is not otherwise available from other sources. No project will be funded 100% by the City. **The maximum assistance the City will provide to the project is limited to fifty percent (50%) of the construction/renovation cost, (per unit), not to exceed \$40,000 (per unit).**

The City desires to provide enough funding to each approved transaction 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 (too much debt for the restricted rents to support). The City reserves the right to determine award and financing terms based on the financial evaluation, in tandem with the program requirements and availability of funds.

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.

Applicants should make a specific request to the City. The request should represent the **gap** between:

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

**Applicants must provide a minimum of 50% match/leverage for HOME funds. Projects with greater match/leverage score higher. A detailed account of sources and uses of match, including schedule of match infusion, must be submitted with application.**

## 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 HOME funds be used for the hard costs of rehabilitation/construction. Applicants who wish to use HOME 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 of housing for homeownership through programs operated by non-profit housing organizations, including eligible community development housing organizations (CHDOs). Homebuyers must be identified and pre-qualified prior to construction. Speculative building is not eligible.

## Development of Rental Units

HOME 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 HOME funds provided, the City is required to ensure the property is secured by a lien/restrictive covenants coinciding with the HOME period of affordability.

All assisted units must be leased to households earning sixty percent (60%) or less of AMI. For projects containing five or more units, at least twenty percent (20%) of the HOME-assisted units must be leased to households at fifty percent (50%) or below the AMI. Through to the end of the affordability, unit rents cannot exceed established HOME rents.

### Development for Homeownership (Non-Profit Housing Development Organizations)

Only eligible non-profit 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 six 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 80% 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 HOME assistance (down payment assistance) or purchasing a HOME-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 HOME funds provided, Applicant is required to ensure the property is secured by a lien/restrictive covenants coinciding with the HOME period of affordability. A homebuyer must have a ratified sales contract within nine months of construction completion, or the unit must either be converted to a HOME rental unit or full HOME investment be repaid.

### Ineligible Applicants

Ineligible applicants include:

1. Organizations that have not completed a HOME project, are not in good standing, 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 HUD 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 will 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.

HOME 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.

Applications that pass the threshold requirement will be reviewed by a panel consisting of HCI staff. The panel will score each application based on outlined categories. Ranks will then be reviewed. All applications must meet a minimum total score of 85 points to be considered for funding.

Maximum Total Score = 160 Points:

Project Development Information (40 Points)  
Organizational/Developer Capacity (50 Points)  
Project Feasibility, Costs, Financing, Leverage/match (30 Points)  
Readiness to proceed (10 points)  
Section 3 (20 points)  
Certifications (10 points)

### Project/Development Information (40 points)

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 HOME 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. Completed Environmental Review Application
- 6. Development timelines (realistic)
- 7. Site control documentation
- 8. Documentation/details on zoning
- 9. Documentation demonstrating that all property taxes are current
- 10. Details on proposed targeted population to be served, (MOU)/ alliances with providers of social services
- 11. 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. Lead Based Paint Assessment (rehab only)
  - f. Asbestos Study
  - g. 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 is required to assess the current market demand in the neighborhood in which the project will be located, addressing two key issues: pricing and absorption. This process requires the City to review 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 HOME program or other federal programs.
5. Assess the market for the planned units and determine if there is sufficient demand to sell the HOME-assisted housing within nine months of construction completion or to rent the HOME-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.

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.

## *Site and Neighborhood Standards*

New construction of rental projects are subject to Site and Neighborhood Standards requirements demonstrating (not a complete list):

1. Adequacy of site; size, contour; street, utilities, etc.;
2. Project is suitable to further compliance with Title VI of the Civil Rights Act of 1964, the Fair Housing Act Executive Order, and HUD regulations
3. Project is not in an area of minority concentration;
4. Project, if in racially mixed area, will not significantly increase the proportion of minorities;
5. Site promotes greater choice of housing opportunities and avoids undue concentration of assisted persons;
6. Project affords access to a broad range of services and facilities;
7. Travel time or cost to access places of employment, is not excessive

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 multi-family housing projects of 26 units or more, the assessment must be done through a capital needs assessment of the project.

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.

The construction of rehabilitated properties must generally extend the useful life of the property by 20 years (or through the period of affordability). For new construction projects, the useful life of the property must be a minimum of 60 years.

## Project/Development Scoring (minimum points required: 30)

1. Scope of work (5 points)
2. Detailed cost estimates (3 points)
3. Detailed budget (4 points)
4. Operating pro forma (3 points)
5. Realistic development timeline (2 points)
6. Site control documentation (2 points)
7. Documentation of zoning (1 point)
8. Documentation of taxes and sewer current (2 points)
9. Details on proposed target population (3 points)
10. Details on location (amenities, transportation, etc.) (5 points)
11. Neighborhood market analysis (5 points)
12. Memorandum of Agreements and Third Party Reports (max 5 points)
  - a. Post construction/rehab appraisal
  - b. Environmental review clearance
  - c. Market study
  - d. Lead Based Paint Assessment
  - e. Appraisal

## Organization/Developer Capacity & Experience (50 points)

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 one year. Points are applied on a graduated scale, based on the number of years the agency has been in existence.

### *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. For CHDO projects, the City must be able to certify that the CHDO has paid staff with experience relevant to the proposed project and role of the CHDO.

### *Financial Capacity*

The City must also examine whether the applicant/developer has the financial capacity necessary to complete the proposed project. 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.

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.

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 HCI 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.

### *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.

### *Organization/Developer Capacity Scoring (minimum points required: 40)*

1. Agency Longevity (max 5 points)
2. Operational capacity (max 10 points)
3. Financial capacity (max 10 points)
4. Project Portfolio (max 10 points)
5. Past Performance (max 15 points)

### *Project Feasibility, Costs & Financing (Sources & Uses of Funds) (30 points)*

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 HOME 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

The project sources review includes the City determining that the total amount of HOME assistance is reasonable and necessary. The questions used in assessing proposed sources include:

1. *Are total funding sources adequate and timely in their availability to cover development costs at all phases of the development – acquisition, construction/rehabilitation, and permanent loan? Before committing HOME funds, the City must determine that all necessary financing is available to cover reasonable costs of development. This includes reviewing any conditions the developer must meet in order to draw funds and the schedule upon which funds will be available. The availability of sources should match the project’s timeline and allow the City to anticipate when and for which items it will disburse HOME funds. The City will also review the commitment and availability of permanent funding sources, the repayment terms of which need to be incorporated in the long term operating projections.*
2. *Are the other funding sources compatible with HOME, or do they contain different requirements that affect the structure of the project, including unit mix, and are these differences accommodated in the project plan? In its review of written commitments for other funding*

sources, the City must determine whether there are provisions that: (a) conflict with HOME requirements; or (b) are not reflected in the project plan. The availability of sources should match the project's timeline and allow the City to anticipate when and for which items it will disburse HOME funds.

3. *Are the funding sources firmly committed?* The City will assess all financial commitments to ensure that they are in fact firm commitments that are consistent with the project. Firm commitments must be non-speculative sources identified and secured in the amount necessary to complete the project. It is not necessary that financing sources have "closed" or been disbursed. Documentation of firm financing can include award letters, offer letters, final term sheets, or other commitments which are conditioned upon the receipt of HOME funds. But, these may not include automatic self-expiring clauses or highly conditioned language and must have all substantial terms tied to a specific project. In the case of projects with LIHTC, the project must have received a reservation from the Housing Credit Allocator (e.g., State Housing Finance Agency) and be able to provide a good faith offer of equity investment from an investor prior to the issuance of a HOME commitment.

**As, gap financing, the City's maximum assistance provided to the project will be fifty percent (50%) of eligible construction cost (per unit), up to a maximum of \$40,000 (per unit).**

#### *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 HOME assistance needed is based on the gap between uses and other sources. Even costs not being paid with HOME 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.

If the documentation is not adequate and does not support the costs as stated, the City will request additional documentation, a second opinion and/or reference from the appropriate source (i.e., another construction cost estimator, another architect or lawyer), or deny the project HOME funding. 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.

The questions used in assessing proposed uses include:

1. Are all of the proposed costs of development “necessary and reasonable” in compliance with federal requirements, costs are considered “necessary” if they are required to implement the project in full compliance with all program standards. A cost is reasonable if it “does not exceed that which would be incurred by a prudent person under the circumstances prevailing at the time the decision was made to incur the cost.” The determination of reasonable cost include the following factors:
  - a. Costs of comparable projects in the same geographical area
  - b. The qualifications of the costs estimators for the various budget line items
  - c. Comparable costs published by recognized industry cost index services.
2. Are the proposed costs sufficient to achieve all program requirements, including property standards, to provide quality housing for at least the affordability period? The applicant must ensure that the project budget is adequate to meet and maintain the property standards and all other HOME and cross-cutting federal requirements that apply to the development. The completion of a capital needs assessment or estimate of the property’s useful life is essential to this analysis in rehabilitation projects.
3. Are the costs proposed to be paid with HOME funds eligible under the HOME rule?

### *Operating Pro Forma*

Applicants proposing rental projects must furnish an operating pro forma (project income and expense statement), projected for the HOME 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 HOME 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. Whenever possible, the PJ should compare against other projects in the property manager's portfolio or the neighborhood.
2. Management and other fees to the owner should be reasonable in 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 have pre-approved, pre-qualified buyers for identified units. Speculative building is prohibited. Eligible entities include non-profit housing organizations, including eligible community development housing organizations (CHDOs).

The HOME regulations require that any profit or return on the owner's or developer's investment will not exceed the City's established standards. 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 (if not considered as program income by the City) and any other professional fees being paid to the developer or related entities. Developers and owners may financially benefit from HOME-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 HOME 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 deemed reasonable by the 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 HOME 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 HOME 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. HOME request per unit relative to similar properties submitted under this RFP.
4. Sources of leverage - proof provided
5. Maximum request of City's assistance <= 50% per unit construction/renovation cost, not exceeding \$40,000 per unit.
6. Whether pro-forma income and expenses appear reasonable
7. 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 Scoring (minimum points required: 20)*

1. Project budget (max 10 points)
  - a. Budget shows sources for all funds and availability (3 points)
  - b. Budget outlines uses for all funds (3 points)
  - c. Budget is balanced (2 points)
  - d. Documentation is included for all funds (2 points)
2. Sources of funds (max 10 points)
  - a. Are total funds adequate and timely in their availability to cover development costs at all phases (4 points)
  - b. Are the other funds compatible with HOME? (3 points)
  - c. Are funding sources committed? (3 points)
3. Uses of funds (max 10 points)
  - a. Are costs necessary and reasonable? (2 points)
  - b. Are costs allocated to HOME eligible? (1 points)
  - c. Are all costs documented? (1 points)
  - d. Does the ongoing pro forma/sales plan show positive cash flows (2 points)
  - e. Are projected expenses reasonable? (2 points)
  - f. Are minimum replacement reserves specified? (2 points)

*Readiness to Proceed (10 points)*

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. **NOTE: Projects cannot proceed until the environmental review has been completed by HCI staff.**

*Readiness to Proceed Scoring (minimum points required: 5)*

1. Notice to Proceed can be issued within 30 days of award? (10 points)
2. Notice to proceed can be issued within 60 days of award? (5 points)
3. Notice to proceed can be issued within 90 days of award? (2 points)
4. Notice to proceed exceeds 90 days of award (0 points)

*Section 3 (20 points)*

Section 3 is a provision of the Housing and Urban Development Act of 1968 (12 U.S.C. 1701u and 24 CFR Part 75) that helps foster local economic development, neighborhood economic improvement, and individual self-sufficiency. The Section 3 program requires that recipients of certain U.S. Department of Housing and Urban Development (HUD) financial assistance, to the greatest extent feasible, provide job training, employment, and contracting opportunities for low-or very-low income residents (regardless of race or gender) in connection with projects and activities in their neighborhoods.

The City of Chattanooga, as grantee for federal community development funds, is required by HUD to develop and implement a Section 3 program designed to ensure contracting and subcontracting opportunities for Section 3 designated companies, as well as hiring opportunities for residents in Section 3 designated neighborhoods. Section 3 is applicable to contractors, subcontractors, developers, and/or sub-recipients and others engaged in projects funded through the City of Chattanooga with funds sourced from the U.S. Department of Housing and Urban Development of \$200,000 or more.

All projects/activities involving housing construction, demolition, rehabilitation, or other public construction - i.e., roads, sewers, community centers, etc. that are completed with covered funding are subject to the requirements of Section 3, if an individual project receives \$200,000 or more in HUD funds. A project is defined as a site or sites together with any building(s) and improvements located on the site(s) that are under common ownership, management, and financing.

Recipients of HUD financial assistance must actively seek to achieve the following Section 3 goals:

1. Twenty-five percent (25%) of the total labor hours worked by all workers on a Section 3 covered project (not including professional services) must be worked by “Section 3 Workers,” and
2. Five percent (5%) of the total labor hours worked by all workers on a Section 3 covered project (not including professional services) must be worked by “Targeted Section 3 Workers,” and
3. To the greatest extent feasible contracts and subcontracts awarded in connection with Section 3 projects are provided to Section 3 business concerns that provide economic opportunities to Section 3 workers residing within the metropolitan area (or non-metropolitan county) in which the project is located

A Section 3 Worker is one whose income, before being hired to work on the project, is below the income limit established by HUD (income based on household income).

A Targeted Section 3 Worker is one who:

1. is employed by a Section 3 Business Concern, or
2. is or was when hired by the worker’s current employer:
  - a. a Section 3 worker living within the service area or neighborhood of the project, or
  - b. a current YouthBuild participant

A Section 3 Business Concern is a business that is:

1. 51 percent or more owned by low- or very low-income persons, or
2. Over 75 percent of the labor hours performed for the business are performed by low- and very low-income persons; or
3. Is at least 51 percent owned by a current public housing residents or residents who currently live in Section 8-assisted housing

To register as a Section 3 business or to find other Section 3 businesses, see HUD’s Section 3 Business Registry. City staff will verify Section 3 status using this tool.

Each applicant is required to submit a Section 3 Business Concern Certification and any supporting Section 3 Resident Certifications as a part of the application for HOME funds. If the agency is claiming a Section 3 Business Concern by way of the percentage of low income employees, they will need to submit a Section 3 Resident Certification for each employee claiming Section 3 status. It is not required to send in the income documentation for the Section 3 Resident Certification with the application.

In cases where the application is asking for HOME funds of \$200,000 or more, the applicant will also be required to submit the Acknowledgement and Intent to Comply with Section 3 and a Section 3 Plan that details their plan for how to meet the Section 3 goals, and their good faith efforts. The plan will be reviewed by the City for acceptance and will become a part of the contractual documents if funds are awarded. Documentation supporting adherence to the plan will be required with the Section 3 reports.

In addition, applicants are expected to detail any previous experience with Section 3 including:

1. Section 3 training received
2. Current commitments to hiring/training/outreach to Section 3 Business Concerns/Residents
3. Section 3 hiring on non-federally subsidized developments
4. Certification that they completed the City's Section 3 Training: A Primer for HUD Grant Recipients

Projects being conducted by Section 3 Business Concerns will have heavier weight than a project being conducted by a non-Section 3 Business Concern. Those agencies that can certify as a Section 3 Business Concern will be awarded an additional 10 points.

#### *Section 3 scoring (minimum points required: 0)*

1. The agency certifies as a Section 3 Business Concern (10 points)
2. All Section 3 documentation has been submitted with application? (4 points)
3. Agency has an approved Section 3 Plan (awards of \$200,000 or more) (2 points)
4. Agency has previous efforts with hiring Section 3 business concerns/residents? (2 points)
5. Completed the City's Section 3 Training (2 points)

#### Certifications (10 points)

All applications must submit the following certifications as attachments:

1. Self-certification of Threshold Requirements
2. Certification of Information
3. Authorization to Submit
4. Exclusion and Debarment
5. Conflict of Interest Disclosure
6. Section 3 Business Concern Certification
7. Section 3 Resident Certification (if required)
8. Acknowledgement and Intent to Comply with Section 3 (if required)
9. Woman/Minority Business Enterprise Certification

Applications will receive 10 points only if all required certifications are signed and submitted with the application.

#### 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.

## Environmental Review

The entire project must be in compliance with all federal environmental regulations and requires an environmental review that is conducted by HCI. An environmental review is required before any work can be done on the project, including acquiring a property. The review process takes approximately 30 to 90 days. The type of project determines your level of review.

<b>Project Type</b>	<b>Review Type</b>	<b>Publication Needed</b>
Rehabilitation 1-4 units existing structure without expansion	CEST Checklist	No
New Construction 1-4 units w/ no noise issues	CEST Checklist	No
New Construction 1-4 units w/ a noise issue	Environmental Assessment (EA)	Yes
New construction or rehabilitation of 5 or more units	Environmental Assessment (EA)	Yes

If the project requires an environmental assessment, the applicant will be responsible for procuring the environmental assessment and having the review submitted to the City for final approval. If a publication is required for the project, it will be the responsibility of the applicant to post the supplied notice and pay for the publication in the Times Free Press. Neither the Applicant nor any participant in the development process, including public or private nonprofit or for-profit entities or any of their contractors, may commit or expend any funds, including non-HUD funds, or undertake any activities during the review period.

Please contact [environmentals@chattanooga.gov](mailto:environmentals@chattanooga.gov) for any questions concerning the environmental review process or for information on how to procure an environmental assessment.

**All multi-family (5 or more units) housing is REQUIRED to have a Phase 1 Assessment that is less than six months old at the time of application.** Some projects, depending on the results of the Phase 1, must also submit a Phase 2 Assessment. **These are to be procured by the applicant at the applicant's expense.**

If the property is a Brownfield Cleanup, then submission of documentation of an approved cleanup plan from EPA or TDEC is required.

#### *Lead Based Paint*

If the project includes rehabilitation of a unit that was built before 1978, then a lead based paint risk assessment is required. This can be obtained through the City of Chattanooga by first enrolling in the City's Lead Safe and Healthy Homes Program.

#### *Lead Pipes*

If it is determined that lead pipes exist on the property, they will need to be replaced with PVC piping during the rehabilitation or construction process.

#### *Radon*

For multi-family rehabilitation (5 or more units) projects, HUD **requires** a radon test to be conducted and mitigation addressed, if needed, during the rehabilitation process. For construction projects, the use of radon reducing construction methods is required, with subsequent testing after construction is completed.

For single family rehabilitation, the City is **strongly recommending** a radon test to be conducted and mitigation addressed, if needed, during the rehabilitation process.

## 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 federal grants. Developer must provide the City with all contracts between the developer and all contractors/subcontractors on a project.

Depending upon the amount of funding awarded, the awardee will be, at minimum, highly encouraged to obtain contracts from Section 3 Business Concerns and/or hire certified Section 3 Residents. In cases where the application requests exceed \$100,000, the developer will be required to obtain this information from their contractors and subcontractors during the bidding process.

## 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, HOME 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. In addition, a Section 3 progress report, if required by the project, must be on file prior to reimbursement payments being made.

Expenditures must be allowable and reasonable in accordance with federal, state, and local rules and regulations. The Department shall determine the reasonableness of each expenditure requested. Any change in scope during the construction process must be approved in advance by HCI. The Department 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 Department 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 Department shall not be obligated to pay for costs incurred or performances rendered after the termination date of a Contract.

Additionally, the Developer is required to furnish the City with all contractor, sub-contractor and vendor names, complete addresses, types of trades, amount of contracts, license (ID) numbers, race/ethnicity/gender, and Section 3 Certification status. The form will be provided to the Grantee/Owner during the Pre-Construction Meeting. Said form must be completed and turned in with the final construction draw request.

**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 Department 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>

## HOME Program Restrictions

The HOME Program has limits on rents, sale prices, occupant income, and amount of per-unit assistance as well as procedural and long-term affordability requirements. HOME funds must be repaid if the project cannot be completed or maintain affordability over the required period.

### Occupancy Rules and Restrictions

The HOME program restricts occupancy of HOME-assisted housing to low-income and very low-income households and has controlled rents. For rental projects containing five or more units, 20% must be occupied by households at 50% or below Area Median Income (AMI) with the balance being occupied by households at 60% or below AMI. For projects containing less than five units, the units must be leased to households at 60% or below AMI. Homeowner units must be occupied by households at 80% or below AMI.

Rents charged in assisted units may not exceed rents established by the HOME Program. HUD establishes HOME 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 HOME 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 60% 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 [92.203]</i></b>	
Frequency	Acceptable Forms of Documentation
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.
* An owner of a multifamily project with an affordability period of 10+ years who uses this form of documentation to re-examine the tenant’s annual income, must examine the income of the tenant by 2 months of source documents every 6 <sup>th</sup> year of the affordability period. [92.252(h)]	

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 application.**

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

1. Rental Applications
  - a. Accept applications from all wanting to apply
  - b. Include all household members, related and unrelated
  - c. Collect income and asset sources and amounts for each household member, related or unrelated, boyfriend/girlfriend OR document that they live elsewhere through lease or utility bills

- d. Must collect two months source documentation proof of income for each household member
  - e. If the City/owner/manager do not have income documentation, the project is noncompliant and HUD can require repayment of the grant and/or other corrective action
  - f. Analyze the Application and verify the information
2. HUD approved Lease Agreements
    - a. It explains the Prohibited Lease Provisions that cannot be included in the lease
    - b. Must be for a term of at least one year, unless there's a mutually agreed upon shorter term
    - c. Calculate rent and utility allowances (must allow City to verify before signing lease)
    - d. Recertify tenant eligibility annually and maintain documentation in tenant files
    - e. Can only evict tenants for serious and repeated violations
  3. Security Deposit Installment Agreements
    - a. For use at the discretion of the Owner/Manager
  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

HOME-assisted housing must remain affordable for some period of time beyond the initial occupancy. HOME-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 HOME-assisted housing fails to meet the affordability requirement for the specified period, the HOME 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 HOME 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.

## Other Requirements

Applicants must comply with other pertinent federal regulations such as listed below. These regulations include, but are not limited to:

1. HOME Investment Partnership Program “2013 Final Rule,” (24 CFR Part 92)
2. Americans with Disabilities Act and Section 504 of the Rehabilitation Act of 1973 (29 U.S.C. Section 794) (24 CFR Parts 8-9)
3. Davis-Bacon and Related Acts and Copeland Anti-Kickback Act
4. Fair Labor Standards Act (29 CFR Part 5)
5. Fair Housing (24 CFR Parts 100-115)
6. Conflict of Interest Requirements (24 CFR 92.356(f))
7. Lead Safe Housing Rule (24 CFR Part 35)
8. Uniform Relocation Act (49 CFR Part 24)
9. Economic Opportunities for Low and Very Low Income Persons Section 3 (24 CFR Part 135)
10. Environmental Review for HUD funded projects (24 CFR Part 58)
11. 2 CFR Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards
12. Property Standards

13. Affirmative Marketing
14. Minority Business Enterprises/Small Business Enterprises
15. One-for-one replacement
16. Other funding
17. Debarment and Suspension
18. Non-discrimination

### [HOME Investment Partnership Program - 2013 Final Rule](#)

Applicants are expected to follow all HOME regulations at 24 CFR Part 92, 2013 Final Rule.

### [Americans with Disabilities Act and Section 504 of the Rehabilitation Act of 1973 \(29 U.S.C. Section 794\) \(24 CFR Parts 8-9\)](#)

No otherwise qualified individual with handicaps shall, solely by reason of his or her handicap, be excluded from participation in, be denied the benefits of, or be subjected to discrimination under any program or activity receiving federal financial assistance. This includes, but is not limited to, programs and/or activities related to housing, employment, and the delivery of services.

### [Davis-Bacon and Related Acts/Labor Standards Provisions/Copeland Anti-Kickback Act](#)

Developments containing 12 or more units will require compliance with the Davis- Bacon Labor standards. Applicants should take this into consideration when preparing the budget. Davis-Bacon and related acts require that prevailing wage rates be paid to all construction laborers. Under most conditions, this will mean weekly payment and submission of weekly payrolls of all contractors, and lower tier-subcontractors. Prior to the bid phase for the proposed units, successful applicants will contact the HCI to obtain the most recent Davis Bacon Wage Determination for Hamilton County to be issued to contractors.

### [Fair Labor Standards Act](#)

No person employed in the work covered by this contract shall be discharged, or in any way discriminated against, because he or she has filed any complaint or instituted, or caused to be instituted, any proceeding or has testified, or is about to testify, in any proceeding under or relating to the labor standards applicable hereunder to his or her employer.

### [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.

### Uniform Relocation Act and Real Property Acquisition Policies Act of 1970 (URA)

**URA ACQUISITION SUBMISSION REQUIREMENTS** – To ensure compliance with the “voluntary” acquisition requirements found at 49 CFR 24.101, developers/applicants are required to submit evidence that the seller has been provided, in writing, the required information regarding a “voluntary,” arm's length purchase transaction.

**URA RELOCATION REQUIREMENTS** - If families are required to move as a result of the improvements made with federal funding, applicants must comply with the Uniform Relocation Act and Real Property Acquisition Policies Act of 1970 (URA) as amended, as well as the Housing and Community Development Policy and Procedure Manual for Relocation. The URA requires that the owner of the property receiving federal funding provide notices and assistance to tenants impacted by acquisition, demolition, and/or rehabilitation/reconstruction. Applicants must inform HCI of occupancy status on proposed rehabilitation/re-construction projects. Tenants must not be displaced by applicants responding to this RFP.

### Section 3

For projects receiving more than \$200,000 per unit, the Subrecipient, developer, or contractor and subcontractor agree that to the greatest extent feasible, opportunities for training and employment be given to low and moderate income persons residing within the City, and that contracts for work in connection with the project, be awarded to eligible business concerns which are located in, or owned in substantial part by persons residing in, the City.

### 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 HOME 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.

#### Disaster Mitigation

Housing must be constructed to mitigate the impact of potential disasters (e.g., earthquakes, hurricanes, flooding, and wildfires), in accordance with State and local codes, ordinances, or requirements, or such other requirements as HUD may establish.

#### Major Systems

For rehabilitation, upon project completion, each major system, as defined in 24 CFR 92.251(b)(1)(ii), had a remaining useful life of a minimum of 5 years or for a longer period if specified by the PJ in its rehabilitation standards.

#### Broadband

For new HOME commitments made after January 19, 2017 for a new construction housing project of a building with more than 4 rental units, the construction must include installation of broadband infrastructure, as this term is defined in [24 CFR 5.100](#), except where the City determines and, in accordance with [§ 92.508\(a\)\(3\)\(iv\)](#), documents the determination 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 federal 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.

### One for One Replacement

If the owner proposes to demolish units that are assisted with either HOME or CDBG funds, these units must be replaced at the development site or within the assisted housing stock of the City of Chattanooga at another site. Demolition and reconstruction with a greater number of units requires additional site approval. HCI will provide technical assistance to developers who may plan to reduce density.

### Other Funding

All other funding, which is sourced from other than HOME and CDBG and is made available through HCI, may adopt definitions of federal income restrictions and federal rent limits. The final determination of rent restrictions and limits will be at the discretion of the Department after the underwriting review and in tandem with Department housing goals.

### Debarment & Suspension Status

The U.S. Department of Housing and Urban Development requires verification status of all contractors and non-profit agencies via the online System for Award Management (SAM) <https://www.sam.gov>. **Any parties listed by SAM as debarred or suspended are not eligible to apply for CDBG or HOME funding.**

### Non-discrimination

Subrecipient agrees to comply with 24 CFR Part I and Parts 5, 200, 203, 236, 400, 570, 574, 882, 891, and 982, 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.

Subrecipient agrees, in accordance with Executive Order 11063, 12259, and 24 CFR Parts 5, 200, 203, 236, 400, 570, 574, 882, 891, and 982, that it 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 Federal Government.



## 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. HOME 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 HOME funds invested in the project.
7. Upon submitting an application, you acknowledge that once the HOME funds have been accepted, you are subject to any changes in rules and regulations or policies concerning this program, together with any adverse effects upon you and any resulting costs thereof.

# City of Chattanooga Resale/Recapture Policy

Revised March 2014

This document outlines the City of Chattanooga's policy for the resale/recapture provision under the HOME program as required in CFR 92.254(a)(5) to ensure the long-term affordability of units assisted with HOME funds for homeownership.

## Duration of Affordability Restrictions

Subrecipient will abide by the HOME affordability requirements of 24 CFR 92.252 & 92.254, as applicable. The HOME-assisted units must meet the affordability requirements for not less than the applicable period specified in the following tables, beginning after project completion. The affordability requirements apply without regard to the term of any loan or mortgage or the transfer of ownership. If HOME-assisted housing fails to meet the affordability requirement for the specified period, the HOME funds are to be repaid in accordance with 24 CFR 92.503. The City reserves the right to impose additional affordability period above and beyond what is required by HUD.

## HOMEBUYER ACTIVITIES

The City of Chattanooga will use and/or allow recipients, sub-recipients, non-profit housing developers and other eligible entities to use HOME funds to support a homebuyer program. The program may provide assistance to low-income families through the following:

- a. Acquisition only
- b. Acquisition and Rehabilitation
- c. Downpayment/Closing Cost Assistance
- d. New Construction

## Eligible Properties

The housing must be single-family housing (1 to 4 family residence, condominium unit, cooperative unit, combination manufactured home and lot, or manufactured home lot).

## Eligible Property Owners

The prospective purchaser household:

- a. Must be low-income: that is, the purchaser must have a gross annual income that does not exceed 80% (percent) of median income for the area. The purchasing household must be low income at either the time the household initially occupies the property or at the time the HOME funds are invested, whichever is later. The monthly housing cost (principal, interest, property taxes and insurance) must be affordable at time of purchase using fixed threshold (i.e. 30% (percent)).
- b. Must occupy the property as a principal residence. The deed will incorporate this requirement. The loan documents (Promissory Note) between the purchaser and the City, or subrecipient will also incorporate this requirement. Temporary subleases are not allowed.

## Homeownership Housing Activities

Minimum period of affordability for homeownership assistance based on the amount of HOME funds invested for assistance:

Under \$15,000	5 Years
\$15,000 – 40,000	10 Years
Over \$40,000 or rehabilitation involving financing	15 Years

## Enforcement of Affordability Restrictions

Subrecipients will be required to enforce compliance with affordability restrictions by imposing deed restrictions and covenants running with the land or other similar mechanisms. The affordability requirements for projects qualifying as affordable housing in accordance with 24 CFR 92.254 must be enforced by default provisions or deed of trust restrictions. When the Subrecipient provides homeownership assistance, contracts must include provision for sale or recapture as set forth in the City's Resale/Recapture guidelines.

## Property Value (At Time of Purchase)

All properties receiving HOME funds will require an appraisal. The appraised value of a HOME assisted property to be acquired must not exceed 95 percent of the median purchase price for the area for the type of housing being purchased (single family, condominium, manufactured home, etc.). These limits will be provided by HUD. If rehabilitation is required, the appraised value of the property after rehabilitation cannot exceed 95 percent of the median purchase price for the area, as provided by HUD. The after rehabilitation value estimate should be completed prior to occupancy or investment of HOME funds.

## Property Standards

For projects involving acquisition only, the property must meet the City's Minimum Housing Code at time of initial occupancy. For projects involving acquisition and rehabilitation, where rehabilitation to the property is needed:

- a. At time of initial occupancy, the property must be free from any defects that pose a danger to the health or safety of occupants. Local code standards, rehabilitation standards and cost-effective energy conservation and effectiveness standards apply to rehabilitation work.

## Income Verification

Verification of income eligibility is good for a period of six (6) months. Consequently, in order to assure that a prospective homebuyer is income eligible, the income will be verified early in the application process. An update of the home buyer's income will be necessary if more than six (6) months have transpired from initial verification to occupancy of the property.

## Form of Ownership

- a. For purposes of the HOME program, homeownership means ownership in fee simple title or leasehold in a one-to-four unit dwelling, ownership or membership in a cooperative.
- b. The ownership interest may be subject only to mortgages, deeds of trust or other debt instruments. Any other encumbrances or restrictions that do not impair the marketability of the ownership interest, other than the HOME program restrictions on resale.

## Termination of Affordability Restrictions

The affordability restrictions will terminate due to foreclosure or a transfer of the property in lieu of a foreclosure; however, if the owner obtains an ownership interest in the property before the foreclosure or deed in lieu of foreclosure, during the original affordability period, the affordability restrictions shall be revived.

## Resale/Recapture Restrictions

In the event of a failure of a HOME Program beneficiary to satisfactorily adhere to all applicable

affordability requirements, the City of Chattanooga will use the following recapture/resale provisions to ensure that the intent of the HOME funded activity is accomplished or that the unforgiven portion of the HOME funds are recaptured and used for other activities eligible under the HOME Program. However, in order to keep a property affordable for the intended duration of the period of affordability, the City reserves the right to assign a project to another capable, willing and eligible entity to carry out the terms of the original agreement.

**Recapture Option**

When HOME funds are used as a direct subsidy, recapture provisions must be used and if the HOME recipient sells the property within the affordability period, the direct HOME subsidy must be recaptured. The sale of the HOME assisted property, (through direct subsidy), during the affordability period triggers repayment (recapture) of the direct HOME subsidy in full, except in instances where a forgivable loan is used to finance the HOME assistance to the homebuyer and the HOME balance is reduced by an equal amount annually during the period of affordability. In which case, the unreduced balance must be recaptured.

A direct subsidy consists of any financial assistance that reduces the purchase price from fair market value to an affordable price, otherwise subsidizes the purchase (e.g., down payment or closing cost assistance, subordinate financing).

If the net proceeds are not sufficient to recapture the full HOME investment plus enable the homeowner to recover the amount of the homeowner’s down-payment and any capital improvement investment made by the owner since purchase, the net proceeds will be divided proportionally. The net proceeds are the sales price minus loan repayment (other than HOME funds) and closing costs.

The net proceeds will be divided as follows:

$$\frac{\text{HOME Investment}}{\text{HOME Investment} + \text{Homeowner Downpayment}} \times \text{Net Proceeds} = \text{Amt. of HOME to be Recaptured}$$

$$\frac{\text{Homeowner Investment}}{\text{HOME Investment} + \text{Homeowner Downpayment}} \times \text{Net Proceeds} = \text{Amount to Homeowner}$$

If net proceeds recaptured are greater than the outstanding balance of HOME funds invested in the property (for all approved activities and holding costs incurred), the balance of net proceeds would be distributed to the homeowner (or his/her estate).

**Assumption of Recapture Obligations by Subsequent Homebuyer**

A subsequent income-eligible homebuyer may be permitted to assume existing loan and affordability restrictions under the recapture provision. However, an eligible homebuyer can only assume the existing loan and affordability obligations if no additional HOME assistance is provided to the subsequent homebuyer. In cases in which the subsequent homebuyer needs HOME assistance in excess of the balance of the original HOME loan, the HOME subsidy (the direct subsidy as described in § 92.254) to the original homebuyer would be recaptured and separate HOME subsidy would be provided to the new homebuyer.

**Resale Option**

If the HOME assistance is only used as development subsidy, the assisted housing is designated as an affordable unit and resale requirements are applicable and must be incorporated as part of a covenant deed running with the land and in a HOME agreement with the homebuyer. A development subsidy is the difference between the cost to develop housing and the market price.

The homebuyer must retain the property as a principal residence and the housing must remain affordable to a reasonable range of low-income homebuyers though the period of affordability. This includes

households with incomes at or below 80% AMI paying no more than 30 percent of income for principle, interest, property taxes, and insurance. If the housing does not continue to be the principal residence of the family for the duration of the period of affordability, the housing must then be made available for subsequent purchase only to a HOME eligible buyer that qualifies as a low-income family and who will use the property as its principal residence.

Under this requirement the price at resale must provide the original HOME-assisted owner a fair return on investment. A fair return is the percentage the change in median sales prices over the period of ownership times the owner's total investment. The basis for calculating the return includes 1) HOME-assisted homebuyer's original investment (i.e., any down payment), plus 2) the value of any capital improvements (not to exceed the newly assessed value at the time of the sale), during the period of ownership. Capital improvements include improvements that add to the value of that home, prolong its useful life, or adapt it to new uses. Repairs or general upkeep, keeping the home in good condition but does not add value to or prolong the life of the home are not considered capital improvements. Such as repainting the home inside or outside, fixing gutter or floors, repairing leaks, or replacing broken window panes. Documentation of improvements must be maintained. The value of capital improvements will be based on the actual costs of the improvements as documented by the homeowner's receipts.

Capital Improvements include any major changes to a home, including:

Category	Examples
Additions	Bedroom, bathroom, deck, garage, porch, patio
Heating and Air Conditioning Systems	Heating systems, central air, duct work, central humidifier, filtration system
Insulation	Attic, walls, floors, pipes and duct work
Interior Improvements	Built-in appliances, kitchen modernization, flooring
Lawn and Grounds	Landscaping, driveway, walkway, fence, retaining wall, sprinkler system, swimming pool
Plumbing	Water heater, soft water system, filtration system
Miscellaneous	Storm windows and doors, new roof, central vacuum, wiring upgrades, security system

**Example of Fair Return**

Homebuyer's original investment: \$5,000 as down payment  
 Bedroom addition during ownership: \$15,000  
 Total owner investment \$20,000

Percentage change in median sales prices over the period of ownership: 4%

$(5,000+15,000) \times 4\% = \$ 800.00$

Total return to homebuyer at sale  $\$5,000+15,000+800 = \$20,800$

In a declining housing market where the home value depreciates, the homebuyer may not receive a

return on investments as the home would be selling for less or the same price as the original purchase price.

#### **Affordability Controls**

To ensure that the homebuyer retains the property as a “principal residence” and to control the recapture of HOME funds on the sale of the property during the affordability period, the City will require two (2) provisions related to the homebuyers program as means of enforcement. These provisions will be incorporated as a part of a covenant deed running with the land and a HOME agreement with the homebuyer.

#### **Presumption of Affordability**

Housing in certain areas of the City may presume to meet the resale restriction based on the neighborhood in which the housing is located. In this instances, because it is presumed that the housing will be available and affordable to a reasonable range of low-income homebuyer; a low-income homebuyer will occupy the housing as the family’s principal residence; and the original owner will be afforded a fair return on investment), it is not necessary to place a lien on the subject property to enforce the period of affordability. The Community Development Office should be contacted for information on the areas for which this may be applicable.

#### **Repayment by Homeowner**

If the homeowner pays of the HOME assistance early, the owner is still subject to the primary residence requirement and the repayment does not terminate the period of affordability.

#### **HOME Refinancing/Subordination**

HOME funds may be used to refinance existing debt on single-family, owner-occupied properties in connection with HOME-funded rehabilitation. The refinancing must be necessary to reduce the owner’s overall housing costs and make the housing more affordable. Refinancing for the purpose of taking out equity is not permitted. HOME may also be used to refinance existing debt on multi-family projects being rehabilitated with HOME funds, if refinancing is necessary to permit or continue long-term affordability. In addition, the rehabilitation must be the primary activity (e.g. the majority of HOME funds going to rehabilitation).

